



# FROM FROZEN TIES TO STRATEGIC ENGAGEMENT: U.S.-IRANIAN RELATIONSHIP IN 2030

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Roman Muzalevsky

U.S. ARMY WAR COLLEGE



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ENGAGEMENT:  
U.S.-IRANIAN RELATIONSHIP IN 2030**

**Roman Muzalevsky**

**May 2015**

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## FOREWORD

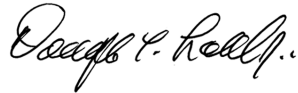
Locked in a confrontational stance lasting more than 3 decades, the United States and Iran have failed repeatedly to transform their hostile relationship. The ongoing nuclear talks, however, offer better prospects of not only addressing Iran's nuclear program challenges, but also developing a mutually beneficial strategic relationship between the United States and Iran in the long term. Why are these prospects better today? According to Mr. Roman Muzalevsky, the coming to power of new presidential administrations in both countries, the additional sanctions under the Barack Obama administration, game-changing regional trends, as well as U.S.-Iranian economic and security cooperation imperatives, have all facilitated an interim nuclear deal, prompting talks of a promising start in U.S.-Iranian ties that, if cultivated, could turn into a strategic détente by 2030.

In this analytically rigorous monograph, Mr. Muzalevsky, an author of numerous works on security and geopolitics, explains these and other geo-economic and geopolitical forces that have been driving a U.S.-Iranian détente and presents a vision of three possible U.S.-Iranian strategic relationships that could emerge in the next decade and a half. He then provides an assessment of each possible outcome in terms of its likelihood and plausibility against domestic and international factors that either facilitate or inhibit related developments and outcomes, offering short- and long-term recommendations for the United States, Iran, and their partners to prepare for a strategic change that a U.S.-Iranian rapprochement would entail. The author envisions a strategic engagement involving a nuclear weapons-capable Iran; a comprehensive coopera-

tion following a “Grand Bargain”; and an incremental strategic engagement after a nuclear deal as three possibilities, with the latter type combining elements of the other two without producing “extreme” outcomes. A departure from numerous other works, Mr. Muzalevsky offers compelling reasons and arguments to engage a nuclear Iran rather than work to isolate it—a task necessary to prevent inadvertent conflict and ensure regional strategic stability in the already volatile region.

The author’s emphasis on constructive U.S.-Iranian strategic engagement is a fresh and welcome effort to ponder a reformatted relationship between the long-standing foes in the Greater Middle East and assess likely implications of this dramatic shift on allies, partners, and general regional dynamics—a task that Mr. Muzalevsky executes masterfully by providing a comprehensive and visionary account of alternative futures and required steps to get to a positive relationship. He argues that, if achieved, a U.S.-Iranian *détente* would promote internal and external integration of the Greater Middle East, facilitating the U.S. strategy of fostering global connectivity. A *détente*, he says, would also ease regional tensions, create dynamics for resolution of long-standing conflicts, and stimulate “development and reconstruction of countries ravaged by wars and sectarian violence”—an imperative that could not be more urgent given the author’s characterization of the Greater Middle East as the “region of wars.” According to him, it would also enable the United States to adjust its global military posture by deploying some of its regional military assets to other parts of the world to address other challenges, while repurposing remaining forces to tackle newly emerging and future threats in the Greater Middle East itself.

The Strategic Studies Institute is pleased to offer Mr. Muzalevsky's work for analysts and policymakers interested in U.S.-Iranian relations, challenges posed by nuclear weapons and their proliferation, as well as the future of the Greater Middle East and U.S. global power.

A handwritten signature in black ink, reading "Douglas C. Lovelace, Jr." in a cursive script.

DOUGLAS C. LOVELACE, JR.  
Director  
Strategic Studies Institute and  
U.S. Army War College Press



## ABOUT THE AUTHOR

ROMAN MUZALEVSKY works for iJet International Inc., performing research, reporting, and analysis of global, regional, and national security affairs, risks, and trends, as well as providing incident response and crisis management services. He is also a Contributing Analyst on Eurasian Affairs and Security at Jamestown Foundation. Previously, he worked for CSM Solutions Inc., National Democratic Institute, DFID Public Finance Reform Project, Central Asia-Caucasus Institute, security consultancy Wikistrat, and global strategy advisory consultancy Krull Corp. in the United States and Central Asia. He conducted research on security issues in the post-Soviet space at the Center for Political and Military Analysis at Hudson Institute as part of the George F. Jewett Foundation Fellowship Award for Projects on the Study and Practice of Grand Strategies. Mr. Muzalevsky has authored dozens of articles on Eurasian and global affairs, geopolitics, security, and strategic trends. In 2013, he authored a monograph, titled, *Central Asia's Shrinking Connectivity Gap: Implications for U.S. Strategy*, published by the Strategic Studies Institute of the U.S. Army War College. He received his M.A. in international affairs with concentration in security and strategy studies from Yale University and has a diploma in international affairs from the International Ataturk Ala-Too University in Kyrgyzstan, Central Asia.



## SUMMARY

The ongoing nuclear talks between Iran and P5+1 following the most stringent sanctions against Iran to date have opened new prospects for relaxation of tensions between Tehran and the West, and for a U.S.-Iranian détente in the long run. The coming to power of new presidential administrations in both the United States and Iran, the additional sanctions, sweeping geo-economic and geopolitical trends, and U.S.-Iranian cooperation imperatives all contributed to these dynamics. Some now view the negotiations as a new beginning in U.S.-Iranian ties, which could herald the emergence of a U.S.-Iranian strategic relationship in the next 15 years.

This monograph, written in late-2014, develops and examines three possible strategic relationships between Iran and the United States that could emerge by 2030: 1) strategic engagement involving a nuclear weapons-capable Iran; 2) comprehensive cooperation following a “Grand Bargain”; and, 3) incremental strategic engagement after a nuclear deal. These relationships deliberately focus on constructive engagement, skipping the status quo and a strike on Iran as other possible outcomes. While it does not identify the winner, this monograph assesses the plausibility and likelihood of each relationship emerging and recommends policies to cultivate and prepare the United States, Iran, and their partners for a strategic change.

A resulting U.S.-Iranian relationship would probably rest on common policies on select issues rather than look like a full-blown strategic partnership, which is unlikely in the next 15 years as the parties need to rebuild trust and realign policies with their allies and partners. Such a relationship would thus likely rest



on the principle and practice of selective engagement, but with an understanding and direction to a more full-fledged strategic relationship in the longer term.

If accomplished by 2030, a U.S.-Iranian détente would advance external integration of the Greater Middle East, aiding the U.S. strategy of fostering global connectivity. It would promote relaxation of tensions, resolution of conflicts, and development and reconstruction of countries ravaged by wars and sectarian violence. It would also enable the United States to deploy select regional military assets to other locales, such as Asia and Europe, to deal with other challenges while repurposing its remaining assets to address new threats in the Greater Middle East.



## CHAPTER 1

### INTRODUCTION: THE TIME HAS COME

**Roman Muzalevsky**

We remain a young nation, but in the words of Scripture, the time has come to set aside childish things.

Barack Obama, January 20, 2009.<sup>1</sup>

The nuclear talks between Iran and P5+1 (the five United Nations [UN] Security Council nuclear powers: the United States, Britain, France, Russia, and China, plus Germany) over Tehran's controversial nuclear program following the most stringent sanctions against Iran to date have opened new prospects for relaxation of tensions between Tehran and the West and for a U.S.-Iranian détente in the long run. The coming to power of new presidential administrations in both the United States and Iran, the additional sanctions, sweeping geo-economic and geopolitical trends, as well as U.S.-Iranian economic and security cooperation imperatives, all contributed to these positive dynamics.

The change of two consecutive presidential administrations in the United States and Iran in 2008 and 2013, respectively, facilitated the conclusion of an "interim nuclear deal" in 2013, which the parties extended twice in 2014, agreeing to reach a final accord by June 1, 2015. This became possible after the election and reelection of Barack Obama as U.S. President in 2008 and 2012, which ushered in an era of a less assertive U.S. foreign policy, with the new administration emphasizing diplomacy and engagement with the

world. This posture has coincided with Washington's diminishing global influence amid the rise of new power centers and enormous fiscal challenges that have undermined the U.S. global role. This posture has forced U.S. leadership to focus more on domestic concerns following years of failing U.S. war efforts in Iraq and Afghanistan, as well as diplomacy and engagement on global issues in an effort to reverse its declining global influence.

Meanwhile, severe economic challenges and pro-reform "Green Movement" protests have forced the Iranian leadership to loosen its grip, facilitating the emergence of more moderate forces calling for engagement—not estrangement—with the world. The additional sanctions imposed on Iran by Washington and its partners in 2012 aggravated the already weakened Iranian economy, encouraging Tehran to switch tactics, if not yet strategy, and engage with the P5+1 as part of the nuclear negotiations in 2013 rather than continue on an isolationist course. The additional sanctions caused a significant decline in oil exports, reduced government revenues, contributed to depreciation of local currency, and exacerbated socio-economic challenges. The defeat of conservative President Mahmoud Ahmadinejad, who had served two consecutive terms, and the election as president in June 2013 of Hassan Rouhani, a moderate cleric who had once served as Iran's chief nuclear negotiator, has created more room for domestic and foreign policy changes in these conditions, including as they concern the nuclear talks. Already in November, Iran and the P5+1 powers struck the "interim nuclear deal," agreeing to remove sanctions and bring billions of dollars in sanctions relief to Iran in return for Tehran freezing or rolling back elements of its nuclear program and

committing to reach a “comprehensive solution” by mutually agreed deadlines. This has allowed Tehran to alleviate its economic problems while leaving a door open for resolution of its grievances as part of the ongoing and future talks with the major powers.

Meanwhile, a series of geo-economic and geopolitical trends and cooperation imperatives have been driving a U.S.-Iranian détente in the long run. Iran has one of the world’s largest concentrations of oil and gas resources and serves as a bridge for the emerging transcontinental network of energy, trade, and transit links serving markets throughout Eurasia. It has a very young and dynamic labor pool, as well as large economic sectors suffering from the lack of foreign direct investment (FDI) and modernization. It further displays an untapped trade capacity with the West and could serve as a source of reconstruction and development assistance to war-torn countries in the Greater Middle East. This is a prospect that the United States should exploit as it seeks to enhance global connectivity and contribute to the development and stability of Eurasia, which is reconnecting at a rapid pace due to the rise of India, China, Russia, and Turkey, among other actors. Washington should ensure it is in a position to shape this historic process by leveraging the geo-economic and geostrategic position of Iran, which borders conflict-stricken parts of the greater region requiring development and integration into the global economic order. In this context, the rise of the United States as a global energy player, Iran’s role as an energy producer and transit state, and potential U.S.-Iranian economic cooperation have far-reaching implications for global development, geopolitics, and a U.S.-Iranian strategic relationship.

The geo-economic trends and merits of U.S.-Iranian economic engagement complement the importance and sweep of geopolitical dynamics and U.S.-Iranian security cooperation imperatives. The raging civil and proxy wars throughout the Greater Middle East and developments stemming from the Arab Spring have altered the geopolitical landscape of the region, prompting Washington and Iran to consider engagement as part of the talks and even ponder possible cooperation on select regional challenges as they seek to bring stability to the region. While Iran's regional position has strengthened vis-à-vis the United States following the toppling of the Taliban in Afghanistan and Saddam Hussein in Iraq, Iran has proven unable to force game-changing outcomes. By the same token, the United States, while still the most formidable military power, is no longer in a position to force regional dynamics without substantially damaging its already weakened regional standing. Neither Iran, nor Washington today is able to address effectively – certainly not alone – the numerous security challenges emanating from Afghanistan, Iraq, Libya, Syria, Lebanon, and Yemen, among other states. These countries are experiencing civil wars and sectarian violence threatening their disintegration, with the struggle between Shia and Sunni factions backed by rivals Iran and Saudi Arabia respectively assuming alarming dimensions. The persistent conflict between secularist and Islamist forces and the emergence of the Islamic State (IS), which has conquered parts of Iraq and Syria after waging both unconventional and traditional warfare, has undermined further the already fragile regional security order and raised concerns about the future of the entire region.

In these conditions, Iran and the United States need each other to address common economic and security challenges, and many view the nuclear talks as the start of a new chapter in the more than 3 decades of estranged relations between the two countries. A thawing in U.S.-Iranian ties could herald the emergence of a U.S.-Iranian strategic engagement in the next 15 years, which would change fundamentally global and regional dynamics, with major implications for the U.S. global military posture and regional stability. As the United States and Iran continue on the presumed trajectory of gradually improving relations, Washington and its allies should be prepared for this dramatic shift, regardless of whether or not Iran “goes nuclear.” No one knows when or if this shift would occur, or what a U.S.-Iranian strategic détente might look like. From a U.S. perspective, it would ideally rest—among other attributes—on U.S. cooperation with an Iran that:

- does not possess or seek nuclear weapons;
- does not engage in terrorism targeting the United States and its allies;
- does not pursue policies hostile to Washington and its allies;
- does not menace Israel; and,
- supports U.S. policies pursuing the development and integration of the Greater Middle East into the global economy and rules-based regimes.

From Iran’s standpoint, such a relationship would ideally rest—among other considerations—on cooperation with Washington that:

- acknowledges Iran’s right to pursue nuclear power for civilian purposes;
- renounces regime change as a policy;

- stops supporting proxies of Iran's perceived regional enemies;
- removes sanctions and releases frozen assets;
- assists Iran with modernization and integration into the global economy;
- recognizes Iran's interests and status as a rising regional power; and,
- makes pertinent changes to its military posture in terms of capabilities and intent.

This work has developed three types of a U.S.-Iranian strategic relationship and dynamics that could emerge by 2030:

1. strategic engagement involving a nuclear weapons-capable Iran;
2. comprehensive cooperation following a "Grand Bargain"; and,
3. incremental strategic engagement after a nuclear deal.

The parties get to the first dynamic after Iran stalls for time, improves ties with the United States on a limited level, and then admits to having a nuclear weapons capability, which probably would prompt a more substantive engagement between Tehran and Washington that seeks to maintain strategic stability while cooperating on other issues of mutual concern. The sides achieve the second dynamic after they make a "U" turn and reach a "Grand Bargain," leading to comprehensive cooperation. They arrive at the third dynamic after addressing Iran's nuclear program issues, reaping the benefits of an incremental, yet increasingly strategic, engagement as they tackle security challenges together and in concert with other actors. These types of a strategic relationship and related dynamics—while overlapping—deliberately



focus on a constructive U.S.-Iranian engagement regardless of whether Iran gets the “nukes,” skipping a prevalent discussion on two other possibilities: the status quo, which would continue to entrench the hostile relationship; and a U.S., Israeli, or U.S.-Israeli strike on Iran’s nuclear facilities, which would lead to systemic perturbation in the region.

While it does not identify the winner, this monograph assesses the plausibility and likelihood of each relationship emerging and provides policy recommendations to cultivate and prepare the United States, Iran, and their partners for a strategic change due to a comprehensive nuclear deal and the likely emergence of a strategic relationship between Iran and the United States by 2030. A resulting strategic relationship would probably rest on common policies on select issues rather than look like a full-blown strategic partnership, which is unlikely in the next 15 years as the parties need to rebuild trust and adjust or realign policies with their allies and partners. Such a relationship would likely rest on the principle and practice of selective engagement, but with an understanding and direction to a more full-fledged strategic relationship in the longer term. Even if the parties achieve a “Grand Bargain,” they would need time to translate the vision into action, making the incremental and selective strategic engagement a more likely scenario. The challenge of improving Iranian-Israeli and the Iranian-Saudi Arabic relations would demand utmost creativity on the parts of Washington, Tel-Aviv, Riyadh, and Tehran. While Israel and Saudi Arabia would be pressured to seek accommodation with Iran following a nuclear deal or amid a strategic détente between the United States and Iran, they would proceed gradually given their fundamental disagreements over status, power, and security issues in the broader region.

If accomplished by 2030, a U.S.-Iranian strategic détente would generate positive developments in the greater region, even if Iran eventually acquires nuclear weapons capability—not an ideal but potentially manageable outcome. In the economic realm, it would advance modernization and integration of Iran’s outdated economy into regional and global networks, with pertinent implications for liberalization of Iran’s domestic and foreign policy in the long run. It would enable Central and South Asian states to expand their own external integration, aiding the U.S. strategy of fostering global connectivity in the process. It would also promote development and reconstruction of countries ravaged by wars and sectarian violence. In the security realm, it would advance security cooperation mechanisms, relaxation of tensions, and resolution of long-standing conflicts, contributing to regional stability. It would also facilitate the U.S. military policy of protecting allies and sea lanes along the greater region’s perimeter, enabling it to devote some of its regional military assets to other locales to deal with other challenges, as in Asia and Central and Eastern Europe, as well as to repurpose its remaining forces to address new threats in the same region. It would allow Washington, Iran, and their partners to more effectively tackle existing and emerging challenges in the Greater Middle East.

The time to engage Iran has come, and it should not raise the fear of desertion or “Armageddon.”

## ENDNOTES - CHAPTER 1

1. Quoted in Dana H. Allin and Steven Simon, *The Sixth Crisis: Iran, Israel, America, and the Rumors of War*, Oxford, UK: Oxford University Press, 2010, p. 133.

## CHAPTER 2

### FORCES DRIVING U.S.-IRANIAN DÉTENTE

A problem is solved when it gets tougher.

An Arab proverb.<sup>1</sup>

### NEW ADMINISTRATIONS AND THE POTENTIAL FOR CHANGE

When Barack Obama assumed the U.S. presidency in 2009, he emphasized engagement with the world, especially Muslim countries, that continue pointing to the devastating consequences of U.S. policies that have allegedly brought wars and misery rather than democracy and prosperity. The change in U.S. foreign policy rhetoric from one of assertion to one of humility was a major boost to deadlocked talks between Iran and the P5+1 (the United States, Britain, France, Russia, and China, plus Germany), with the Obama administration undertaking engagement with Iran in order to seal a nuclear deal and to lay the foundation for improvement of their estranged ties in the long run. Importantly, the change in U.S. foreign policy approach signaled the need for the United States to “restore balance in domestic and international politics” and “shift focus to the home front” after costly wars of the previous administration, the effect of the global financial crisis, and a looming age of austerity due to U.S. mushrooming federal debt.<sup>2</sup> Like Obama, Iran’s new president, moderate cleric Hassan Rouhani, has sought to tilt the balance between domestic and foreign policy by pursuing policy changes in Iran’s relations with the world amid debilitating economic sanctions, severe socio-economic challenges, and popular frustrations with the regime.

While it signaled Washington's willingness to change course, the U.S. outreach to Iran during Obama's first term yielded no substantial progress, constrained as it was by policy inertia from the George W. Bush administration's stance centered on isolation of Iran, regime change, and willingness to engage Tehran in negotiations only if it agreed to halt uranium enrichment. The new administration was further constrained by:

- resistance from the U.S. Congress, which has emphasized punitive measures against Iran<sup>3</sup> and displayed a pro-Israel position that Iran should either halt uranium enrichment or face comprehensive sanctions and a potential military attack;
- the pro-Israel and the pro-Arab lobby groups,<sup>4</sup> which have resisted U.S. initiatives advancing negotiations with Iran without substantial and verifiable concessions from Tehran; and
- a stance by **Principalists** in Iran led by the conservative former President Ahmadinejad (with the conservative cleric and Supreme Leader Ayatollah Khamenei playing a mediating role between the **Principalists** and **Reformers**), who occasionally rebuffed U.S. engagement attempts, citing Washington's lack of respect.

The lack of understanding in Washington of diverging views of different power centers in Iran, and Iran's lack of understanding of divergent stances by the legislative and executive branches of the U.S. Government, have impeded engagement further, raising suspicions of "good cop, bad cop" games.<sup>5</sup>

This is not to obscure the active role of the pro-Iran lobby in prompting Washington to pursue the talks.<sup>6</sup>

Iran itself reached out to the U.S. administration seeking negotiations multiple times, but the forces of resistance were too strong and circumstances of outreach were perceived as too unfavorable.<sup>7</sup> However, the 2005 election and re-election of Ahmadinejad for the second term as president in 2009, the associated consolidation of power by Principalists, and the subsequent crackdown by the regime in Tehran against “Green Movement” supporters protesting electoral fraud—all worked against progress in the talks and engagement.<sup>8</sup> By 2009, the lack of progress prompted Washington to emphasize its “two track strategy” by applying additional economic pressure and offering sanctions relief to Iran in an effort to encourage the nuclear talks.<sup>9</sup>

The exit of Ahmadinejad and the coming in June 2013 of a moderate cleric, Hassan Rouhani, Iran’s chief nuclear negotiator during 2003-05, opened new prospects for engagement in nuclear talks. Iran and the P5+1 concluded an “interim nuclear deal” in November 2013, extended it first in July 2014 and then in November 2014, agreeing to continue the talks until March 2015. The parties plan to reach a political framework by then and possibly continue the negotiations until June 2015 in order to reach a final accord. The “interim nuclear deal” provided anywhere between \$U.S.7-20 billion in sanctions relief to Iran in exchange for Iran freezing or rolling back all elements of its nuclear program. Sanctions were lifted in the automobile, precious metals, and petrochemical industries. Iran agreed to a 5 percent enrichment cap, to eliminate its stockpile of 20 percent low enriched uranium, to limit the number of spinning centrifuges, and to allow intrusive inspections by the International Atomic Energy Agency (IAEA), among other conditions of

the agreement. The deal mirrors Iran's 2005 proposal which the Bush administration, emboldened after the toppling of the Taliban in Afghanistan and Saddam Hussein in Iraq, rejected because it enshrined Iran's right to continue enriching uranium permanently. The interim deal, however, states that "a comprehensive solution would involve a mutually defined [uranium] enrichment program with practical limits and transparency measures to ensure the peaceful nature of the program."<sup>10</sup> Washington's willingness to adjust its position from "no enrichment of uranium" to "no nuclear bomb" has been a strong factor in prompting the moderate administration to agree to the "interim" deal.<sup>11</sup>

The end of two consecutive Republican presidential administrations in the United States in 2008 and two consecutive conservative presidential administrations in Iran in 2013 created an opening for the pursuit of the talks. A successful progress in the negotiations or their conclusion through a mutually agreed nuclear deal presents historic opportunities for Obama and Rouhani to entrench their legacies and generate political capital for their ideological camps. This effort would surely confront enormous resistance from all quarters, at home and abroad. U.S. partners, especially Saudi Arabia and Israel, are extremely cautious and oppose any type of rapprochement with Iran that would not serve their national interests as they relate to Tehran's nuclear program and Iran's regional agenda. As Israeli Prime Minister Benjamin Netanyahu remarked, Rouhani plans to "smile all the way to the bomb," highlighting a possible attempt by Tehran to stall for time as part of a "charm offensive" by the Rouhani administration.<sup>12</sup> A full Republican control of the U.S. Congress following the congressio-

nal elections in November 2014 and the complicated political system in Iran, as well the gravitas of Khomeini and his allies, will continue to challenge respective presidential administrations and the prospects of improved U.S.-Iranian ties in the long run. A comeback of a new presidential administration in either country could set the clock back further, despite pressures on a new administration to continue the course of a previous one, at least in the United States.<sup>13</sup> But the overall trajectory has offered prospects brighter than is generally assumed when it comes to a possible U.S.-Iranian strategic détente in the long run.

Iran's foreign policy over the past 2 decades has seen significant moderation, with Tehran focusing more on national interests than revolutionary ideology as the guiding principle and reaching détente with states in the European Union (EU), the Persian Gulf, the Caucasus, and Central and South-East Asia, in part as a way to compensate for its estranged relationship with the United States.<sup>14</sup> It has restarted diplomatic relations with the United Kingdom (UK) and built especially strong economic and political ties with Turkey, Russia, and China, leading to a notable thaw in relations with major players since the P5+1 concluded the "interim" deal in 2013.<sup>15</sup> Both the United States and Iran also have a history of cooperative policies pursued by different administrations.<sup>16</sup> Reformist and moderate administrations were in place under former presidents Akbar Hashemi Rafsanjani and Mohammad Khatemi in Iran in the 1990s and 2000s, while Rouhani's flexible approach to foreign policy could yet result in major changes to the dialogue that some pragmatists in Iran describe as "neither wine, nor prayer" (i.e., neither prohibited, nor obligatory).<sup>17</sup> The current administrations in the United States and

Iran thus need to sustain the momentum of cooperative dynamics and expand it institutionally into the next administrations. They also need to exercise patience and put a premium on long-term progress in the face of institutional resistance.<sup>18</sup> As they do so, the issue of remaining and possible future sanctions will be a major challenge given their impact on Iran's willingness to engage in the talks under the "interim" deal, and the general dynamics that might bring the two countries to accommodation and détente in the long run.

## **THE BITE OF SANCTIONS AS THE STIMULUS FOR NEGOTIATIONS**

Under the Obama administration, the United States has undertaken an enhanced "dual track" approach toward Iran, pursuing ever-crippling sanctions and engagement while dropping its long-standing condition that Iran first suspend its uranium enrichment. In 2011, it imposed sanctions on Iran's Central Bank and its lifeline oil exports, arranging for additional sanctions. Whether it was the major factor prompting Iran's engagement in the talks is debatable, but it certainly encouraged Iran to cooperate.<sup>19</sup> As Ahmadinejad noted, the latest sanctions were "the most extensive . . . sanctions ever" and that "this is the heaviest economic onslaught on a nation in history . . . every day, all our banking and trade activities and our agreements are being monitored and blocked."<sup>20</sup> Meanwhile, the large-scale anti-government protests in 2009, amid electoral fraud allegations against Ahmadinejad, provided another stimulus for engagement in the talks in hopes of relieving not only the economic but also the political pressures built up over the years.



A brief review of the Iranian economy is needed to understand the impact of sanctions and sanctions relief. The Iranian economy ranks 19th in the world based on purchasing power parity, with its gross domestic product in 2013 estimated at \$U.S.987 billion. The country ranks 2nd and 5th in world proven gas and oil reserves, making it a critical link in global energy balances amid the rise of new power centers and the search by countries for uninterrupted and diversified energy supplies. Iran displays a tremendous potential as a global, let alone regional, player. But its economic performance is severely constrained. Its private sector is highly underdeveloped, while the state-dominated economic sectors are inefficient and underperforming. Unemployment is at about 16 percent, with unemployment for youth between ages 15-24 at about 23 percent. Inflation in 2013 hit a striking 42.3 percent, but declined to about 21 percent in 2014 following the election of Rouhani.<sup>21</sup> Skilled labor and technology investments are severely lacking. Iran's major export partners include China (22.1 percent), India (11.9 percent), Turkey (10.6 percent), South Korea (7.6 percent), and Japan (7.1 percent). Its major import partners are the United Arab Emirates (UAE) (33.2 percent), China (13.8 percent), Turkey (11.8 percent), and South Korea (7.4 percent). The sanctions reduced Iran's oil exports by 50 percent (Iran's petroleum exports constituted 80 percent of all exports in 2013), cut government spending, and led to the depreciation of the currency by 60 percent, causing negative economic growth in both 2012 and 2013 for the first time in 20 years.<sup>22</sup>

The "Green Movement" anti-government protests in 2009 against electoral fraud underscored the precarious position of the ruling elites in Iran, even if they catered to the needs of a largely urbanite and middle

class citizenry and failed to galvanize rural segments of the society—the backbone of popular support for the regime. Ultimately stifled, protesters voiced both political and economic demands, reflecting the need for the statist political and economic regime to engage in reform or face resistance, even if insubstantial.<sup>23</sup> The electoral victory by Rouhani in June 2013 is therefore a vote of confidence by the Supreme Leader and Iranian people, a concession by the regime keen on avoiding social rifts, and a “green light” for promoting change, given the imperatives for reforms in domestic and foreign policy realms.<sup>24</sup> Iran’s desire to conclude the “interim” deal is therefore not surprising, but does not necessarily indicate Iran’s readiness to pursue a greater engagement with the United States after a nuclear deal is achieved. Khamenei views the United States as the main rival, and his policy of “heroic flexibility” enabling Tehran to find a balance and compromise in domestic and foreign policies, may be a way to use “flexible tactics” to score political, economic, and military dividends in the overall contest with Washington. Khamenei stated that “nobody should believe that the enemies of the Islamic revolution have given up their enmity,” while offering hope of engagement stating that “the Islamic Republic will negotiate with the Satan on specific issues that are of interest.”<sup>25</sup>

The lifting of \$U.S.7-20 billion in sanctions, including related long-term positive ripple effects on the economy, has demonstrated for Iran the untapped potential of its engagement with the world, while strengthening the hands of Reformers and moderates in Iran who have been marginalized over the last decade but have now emerged as a stronger force keen on winning overwhelming popular support for its incipient yet potentially “revolutionary” domestic and

foreign policies. The resultant economic gains for Iran now and in the future could help ensure that it turns into an engaged, not estranged, power that is willing to assuage the security concerns of its neighbors while reaping the economic benefits of its increasingly global engagement. This is especially important because sanctions imposed on Iran in recent years have shifted its trade with largely market economies to its trade with largely authoritarian states.<sup>26</sup> On the other hand, the sanctions relief could help bring Iran closer to nuclear weapons if, following the “interim” and a final nuclear deal, it continues to or starts pursuing a nuclear weapons capability in secrecy and under the cover of ever-expanding economic relations with P5+1 and other actors.<sup>27</sup>

Just as Obama did, Rouhani has positioned himself as a president keen on bringing change. But, like Obama, Rouhani is yet to confront a full spectrum of resistance from foreign and domestic circles to his initiatives, making it imperative for the Obama administration to solidify its position in the ongoing negotiations and achieve the sought-after outcomes sooner rather than later. Arguably, similar logic should dictate the approach of Rouhani’s administration, which has a chance to strengthen its position in Iran’s domestic politics and amplify the voice of Reformers. A failure to conclude a deal could result in harsher sanctions yet, or worse — an attack on Iran. This would be a disaster and a lost opportunity, considering the merits of economic and security cooperation between Washington and Tehran on a broad range of global and regional issues, which have been driving a long-term U.S-Iranian *détente* for years, despite strong obstacles.

## **GEO-ECONOMIC TRENDS AND THE MERITS OF ECONOMIC ENGAGEMENT**

Geo-economic trends unfolding in the Greater Middle East, and concerning the United States, make the merits of U.S.-Iranian economic engagement all too clear. An economic engagement between the two countries would advance the regional and global economic integration and help Iran modernize and integrate its economy with global networks. Importantly, it would help address global and regional energy security needs, promoting a diversified uninterrupted, and secure supply of energy sources to global markets, while contributing to global economic growth.

A fuller integration of Iran into the global economic architecture would have a transformative impact on Iran and the U.S.-Iranian strategic relationship. It would also spur a faster, already ongoing integration of the landlocked but energy-rich Central Asia and energy-poor South Asia into the global economic system. Currently, energy, trade, and transit companies and developers shun Iran, forestalling the inter-regional integration of these areas on terms that Washington could shape were it to engage Iran. The economic and geopolitical benefits for the United States of integrating Iran into the continental economy are enormous. Iraq, Syria, Yemen, Lebanon, and other countries in the Middle East would have more opportunities for development. The Central Asian states of Kazakhstan, Turkmenistan, Uzbekistan, Kyrgyzstan, and Tajikistan would be relieved from geopolitical and geo-economic pressure exerted by Russia and China. Afghanistan, Pakistan, and India would have expanded access to Iran's vast energy resources and use its geo-economic location to address their reconstruction, energy defi-

cits, and modernization needs. An economically prosperous and politically stable Greater Middle East is a U.S. strategic interest.

The lifting of sanctions on Iran's oil sector and normalization of U.S.-Iranian relations would enable Iran to diversify its export base from an overwhelming reliance on Asian markets, while expanding Iran's revenue base to advance modernization of its underperforming economy. A 2008 study by the National Foreign Trade Council indicates that increased oil production by Iran following the removal of sanctions might have decreased the market price of crude oil by 10 percent and saved the United States billions of dollars.<sup>28</sup> Both Iran and American corporations would be interested in bringing U.S. foreign direct investment (FDI) and the latest technologies to develop energy and other sectors of the Iranian economy. Iran's oil sector alone requires at least \$U.S.200 billion for upgrades and expansions, as well as 2.5 times more in investments than the country's total annual development budget in order to "save" Iran's oil infrastructure.<sup>29</sup> A U.S.-Iranian economic engagement would also stimulate more cooperative policies between Arab states and Iran, enabling them to coordinate more effectively oil production and export policies which could advance collaboration in other areas in the future (Saudi Arabia and Iran cooperated heavily on matters regarding oil production and exports in the 2000s, at least on the declaratory level<sup>30</sup>). This is important given recent energy export interruptions in Libya and the raging civil and proxy wars in Syria, Lebanon, Yemen, and Afghanistan that threaten the already complex mosaic of energy developments in the greater region which Iran's involvement could help address.

The issue of global and regional energy security is highly complex, defined by uninterrupted and safe access, exploitation, transit, and use of diverse energy resources by regimes ranging from authoritarian and democratic to theocratic and nationalistic. Iran and the United States – both major global energy exporters serving the needs of established and emerging power centers that are challenging patterns of resource flows across the planet – could work together to advance energy security cooperation in the future. A recent rise of the United States as a major global energy producer and a projected rise of Iran as a transcontinental energy bridge and exporter as part of its full-fledged global engagement are yet to impact overall on the energy landscapes. The development of fracking technologies turned the United States from an energy importer just years ago into one of the world's largest energy exporters, while the lifting of sanctions on Iran and projected modernization of its energy sector would usher in a more geo-economically active role by Iran in global energy markets. The U.S. energy revolution, also extending into alternative energy developments, creates more room for maneuver, including in U.S. relations with Iran. The U.S. Energy Information Administration forecasts that by 2020, the United States might become the world's largest oil producer, and energy self-sufficient by 2035.<sup>31</sup> These prospects prompt fears of U.S. abandonment of its Arab Gulf Cooperation Council (GCC) partners.<sup>32</sup> But Washington should not underestimate its energy dependence on the Persian Gulf, given U.S. import of goods produced in Europe and Asia using either Iranian oil or oil passing through the Gulf.<sup>33</sup> Moreover, it confronts energy security challenges facing its European and North Atlantic Treaty Organization (NATO) allies, which depend heavily on

Russia's energy exports. An Iran that is more friendly and secure can help address both challenges.

Ranked 2nd and 4th in the world's proven gas and oil reserves and an Organization of the Petroleum Exporting Countries (OPEC) member, Iran has and will continue to be at the forefront of great power politics, with traditional powers and newly emerging economic giants factoring its vast energy resources and transit capacity into their strategies. But this untapped potential could only be turned into a strategic advantage if concerned parties integrate Iran's economy into global networks—a task that seems impossible without mending ties between Iran, Washington, and their partners. That Iran may face oil shortages already by 2030, or run out of oil by 2020 if global oil consumption picks up (assuming Iran has less than half of the oil reserves it claims), adds urgency to this imperative, given the need for a more efficient energy sector and economic diversification in Iran to forestall the collapse of its economy or “adventurism” with negative consequences for regional and global stability.<sup>34</sup> Larger exports of U.S. and Iranian oil and gas would help stabilize global oil prices and the more variable gas prices. The price of Brent crude oil, for instance, has fallen by almost 25 percent since mid-June 2014 from \$115 at its peak to \$87 a barrel at its bottom, with structural factors, China's slowdown, and stagnation in the EU holding back any increase in the price in the short term, considering also projected increases in oil production in North America and the hesitancy of OPEC to cut production.<sup>35</sup> Iran's oil exports in particular would stabilize price dynamics while diversifying the pool of available energy resources for EU and Central Asian countries, which overly depend on suppliers occasionally resorting to bullying tactics to ad-

vance their agendas. The United States could be more at ease knowing that its European partners can lessen their dependence on imports from Russia, which has used energy exports as a coercion tool in the past. Iran, for instance, expressed an interest as recently as 2010 in supplying gas to the long-overdue Nabucco pipeline designed to mitigate EU dependence on Russian gas by allowing the EU to import more gas from the Middle East, the Caspian, and Central Asia.<sup>36</sup> Russia itself would see more incentives to diversify its energy exports-dependent economy, including by pursuing more liberal policies that, with time, could ensure a more friendly foreign policy course by the Kremlin toward neighbors and distant partners, including the United States and Iran.

The geo-economic trends and merits of U.S.-Iranian economic engagement and energy security cooperation imperatives encourage Iran and Washington to seek a nuclear deal and strategic engagement. The benefits of economic engagement would extend to the military realm, given the relaxation of tensions in the region following a nuclear agreement, allowing Iran and the United States to dedicate fewer military resources to protecting economic interests on sea lanes or land routes. As a result, Washington could use freed-up resources elsewhere, including in the Pacific, while Iran could focus on modernization of its underdeveloped economy and armed forces. (Some estimates indicate that Iran has been allocating merely 25 percent of funding required to modernize and recapitalize its armed forces to the level seen under the Shah Muhammad Reza<sup>37</sup>). But it is the volatile geopolitical dynamics and security cooperation imperatives that more vividly highlight the benefits of U.S.-Iranian cooperation in the short term and their strategic ties in the long run.



## GEOPOLITICAL DYNAMICS AND SECURITY COOPERATION IMPERATIVES

Raging civil and proxy wars in Iraq, Syria, Lebanon, Libya, Yemen, and Afghanistan are undermining U.S. capacity to lead and sustain regional security orders and the global security architecture, making it imperative to engage key regional actors in shaping regional stability. This is all the more important, given the diminishing profile of the United States in the Greater Middle East and the growing regional influence of Iran, which enhances the need—exercised effectively by Tehran and Washington prior to the 1979 Islamic Revolution—for regional security cooperation. Neither Washington nor Tehran benefits from regional insecurity, but both could gain by bringing stability to Shia-populated Iraq, Syria, Lebanon, Libya, Yemen, and Afghanistan and by ensuring secure transit of energy resources via the Persian Gulf and Iran. To understand the benefits of such security cooperation and the stimulus it provides for reaching a U.S.-Iranian détente, one must dissect the relative positions of the United States and Iran in the Greater Middle East in light of the “Arab Spring,” ongoing civil and proxy wars in the region, as well as the overall political and military struggle between regional Islamist and secularist forces.

The “Arab Spring” and recent security developments in the Greater Middle East have caught the United States off guard. The Obama administration either did not support or was slow in supporting the powers-that-be, the Islamist, and secularist forces before, during, and after the overthrow or change of regimes in Tunis, Egypt, Libya, and Yemen.<sup>38</sup> This is despite an arguable observation that Obama’s policy,

unlike his predecessor's, has emphasized a stake not just in the stability of regional countries, "but in the self-determination of individuals."<sup>39</sup>

Washington chose to support the Islamists but was unprepared for a come-back to power by the military in Egypt, which has no stamina for an assertive regional role that it traditionally had exercised as a regional balancer, including vis-à-vis Iran. The United States drew a "red line" for the use of weapons of mass destruction (WMD) by the embattled Syrian regime of President Bashar al-Assad, but did not intervene after the regime crossed this line by killing approximately 1,000 people in 2012 and 2013 using chemical weapons. Russia's convenient offer to arrange for the dismantling and transfer of the weapons out of Syria helped Washington save face, but the violation of its own commitment undermined U.S. credibility and deterrence capabilities.<sup>40</sup> Nor did Washington prevent, mitigate, or respond effectively to insecurity in Libya, where an Islamist attack in Benghazi killed its ambassador, and rival militias continue undermining the formation of a unity government and stability of energy exports. It failed to respond effectively in Bahrain when Saudi Arabia and the UAE dispatched troops to suppress pro-reform Shia anti-government forces. Unsuccessful U.S. campaigns in Iraq and Afghanistan and security challenges posed by IS in Iraq, Syria, and areas close to Turkey have further undercut the U.S. regional role, highlighting the need for Washington to seek allies to stabilize the flaring region.

These volatile dynamics prompted some to draw a parallel between the diminished influence of Great Britain in the Middle East after World War II and the end of the short-lived unipolar moment of the United States after the Cold War, along with U.S. receding

influence in the Middle East, where local actors feel increasingly comfortable challenging U.S. interests, positions, and counsel.<sup>41</sup> Iran is one of them, poised to use the political awakening of regional societies to enhance its position, as the region's "balance of power is becoming . . . a balance of influence."<sup>42</sup>

The U.S. declining regional status is in contrast to the growing position of Iran, which has grown stronger following the "Arab Spring," the U.S. toppling of its Taliban foe in Afghanistan in 2011, and the removal of a rival regime and dismantling of Saddam Hussein's army in Iraq in 2003. As former Iranian President Khatami quipped: "Regardless of where the United States changes regimes, it is our friends who will come to power."<sup>43</sup> Iran now exploits the growing role of civil societies in pressuring Arab regimes, though the combination of its own and regional popular frustrations have also challenged the Iranian regime, just as domestic forces have emerged in Iran that shape domestic and regional narratives.<sup>44</sup> Iran's Islamic Revolutionary Guard Corps relies on the Qods Force, numbering 10,000-15,000, to support pro-Iranian forces in Iraq, Syria, Yemen, Lebanon, Arab GCC states, Gaza/West Bank, Afghanistan, South Caucasus, and Central Asia.<sup>45</sup>

In Iraq, Iran's support for Shia militias has marginalized Sunni forces and led to the emergence of a relatively stronger pro-Iranian religious and political leadership in Baghdad amid frequent anti-Shia militant attacks. Iran provides Shia rebels in Iraq with military and technological support in the form of improvised explosive devices and explosively-formed penetrators.<sup>46</sup> It also backs political forces, including the Dawa party and the Islamic Supreme Council of Iraq. In Syria, it supports Assad's Alawite faction fi-

nancially and militarily, using Hezbollah and its Qods forces on the ground to counter rebels supported by Arab states and the United States. In Yemen, it supports Shia Houthi rebels whose recent takeover of the capital, Sana'a, has brought to the group major geopolitical gains in the battle between Sunni and Shia factions throughout the region. In Lebanon, it provides significant financial and military support to Hamas in Gaza and Hezbollah, making it an important player in the Arab-Israeli conflict and a key to its resolution. In Afghanistan, it helped Washington and the Northern Alliance overthrow the Taliban and is now projecting meaningful economic and political influence in the country due to proximity, common cultural heritage, ties to the Afghan Shia Hazara population, growing economic penetration (trade, transit, and construction industries), and political influence extending to anti- and pro-Taliban Sunni factions.<sup>47</sup> In South Caucasus, it actively supports Shia groups in Azerbaijan while expanding ties to Christian Armenia and Georgia.<sup>48</sup> In a move meant to showcase its rising profile, Iran even sailed two war ships via the Suez Canal soon after the popular uprising in Egypt in 2011.<sup>49</sup> Iran's growing profile helps it cope with a perceived loss of grandeur since the 16th century, when Iranian empires lost Bahrain (1521), Baghdad (1638), the Caucasus (1828), western Afghanistan (1857), Baluchistan (1872), and areas of present-day Turkmenistan (1894).<sup>50</sup>

Iran is a geopolitically dynamic state due to its immense resource wealth, fervent ideology, military capabilities, extensive network of allies, large population, and strategic location. Rich in energy resources and straddling three volatile regions, it underwent an Islamic Revolution that replaced the monarchy and has struggled to reconcile democratic and Is-

lamic principles. It has been effectively building alliances with state and nonstate groups despite Western sanctions and resistance, while displaying untapped potential to serve as a bridge and integrator of several regions. Iran is also the largest of all countries in the Middle East by territory, one of the region's most populous states (77.5 million; Egypt, 82 million; Turkey, 75 million; and Saudi Arabia, 29 million), and has one of the region's largest armed forces and arsenals, although most of its weaponry is outdated.<sup>51</sup> These aspects make it crucial for Washington and its allies to engage, rather than estrange, Iran.

Despite its enhanced position, Iran is unable to resolve regional conflicts or advance its geopolitical goals effectively while faced with the formidable power of the United States and U.S. allies. Wherever it looks, Tehran confronts Washington in its own neighborhood and is unable to force radical outcomes in many of the regional conflicts and dynamics. Moreover, some of Iran's wins are really U.S. geopolitical mistakes. Both the United States and Iran need each other to advance their positions, constrained by conflicts and increasingly autonomous policies of their partners and allies. Washington and Iran could gain a lot by cooperating to resolve regional wars and conflicts. They would also find it beneficial to cooperate on counterterrorism activities, which can serve as an initial trust-building initiative before or after the conclusion of a nuclear deal. Both fight Sunni-inspired and financed radicalism and terrorism, and neither wants to have forces deployed along Iran's eastern and western borders, provided major security concerns are addressed and oil continues to flow unimpeded via the Strait of Hormuz.<sup>52</sup>

The emergence of IS has increased the need for U.S.-Iranian cooperation in fighting the militant group in Iraq and Syria. In June 2014 during an IS offensive, Iran provided Qods Force advisers, drone surveillance, and weapons transfers, as well as helped with reanimating Shia militias, such as the Promised Day Brigade, As'aib Ahl Al Haq, Kata'ib Hezbollah, and the Mahdi Army of Moqtada Al Sadr, to help Iraqi authorities.<sup>53</sup> Iran has also been transferring arms and ammunition to Iraq and the Peshmerga forces fighting the IS, returned Iraqi combat aircraft to Baghdad flown to Iran at the start of the 1991 war in Iraq, and helped the United States with political transition in Baghdad that involved the appointment of Haider al-Abadi as prime minister following a spike in sectarian violence partially attributed to the preceding administration led by al-Maliki.<sup>54</sup>

Washington, for its part, authorized airstrikes in Iraq and Syria and in November 2014 the deployment of additional 1,500 U.S. forces to Iraq, doubling the number of its troops training Iraqi and Kurdish forces. It further tasked its Air Combat Command of the U.S. Air Force to start an 8-year contract in October 2016 to "operate, maintain, and support Air Force Central Command's major war reserve materiel facilities in Oman, Qatar, Kuwait, and the UAE." The rapid advance by IS on Baghdad prompted U.S. Secretary of State John Kerry to note that Washington was "open to discussions [with Iran on Iraq] if there's something constructive that can be contributed by Iran."<sup>55</sup> The United States has already lost more than 4,000 U.S. troops in Iraq since 2003 and, along with costs of the war in Afghanistan, has spent \$U.S.1.8 trillion.<sup>56</sup> It cannot afford to lose the fight against old and new al-Qaeda. Nor can it afford the fight without the

support of its allies and partners in the conditions of fiscal austerity, prompting the need to cooperate with regional payers, including Iran, in fighting the group's growing capabilities.

Washington and Tehran further face the rising influence of China and India in the Greater Middle East, driven by their growing appetites for energy resources and geopolitical clout. While the United States is interested in advancing a global and regional balance of power, Iran is keen on diversifying its relations to balance its burgeoning ties with the two juggernauts, which are expected to project military assets into the region to protect their growing economic interests. A rapprochement would allow Washington and Tehran to strengthen their positions in respect to the increasingly assertive presence and policies of China and India. Along with the volatile security developments in the Greater Middle East, the regional trends defined by the growing presence of China and India—both dynamic powers capable of challenging regional and global security orders—make the strategic benefits of security cooperation between Iran and the United States particularly obvious. This is especially so given constraints on the U.S. military in waging a conventional war against Iran or China while engaging in a global struggle against terrorism and counterinsurgency wars in Iraq and Afghanistan. The current U.S. global engagements and military constraints, especially as they relate to its ground forces, make it unrealistic for the United States to contemplate another conflict—hypothetically with Iran—if such a need arises.<sup>57</sup>

Washington and Tehran could collaborate in the framework of Arab-Israeli, Arab-Iranian, and Israeli-Iranian conflicts, as well as reconstruction of war-torn

countries, counterterrorism efforts, and geopolitical balancing. Such cooperation would have both military and economic dimensions—a major imperative considering persistent instability in the Greater Middle East and the lack of development and integration of the region into the global economic and security networks and institutions. The ideological hostility between Iran and the United States should not conceal the benefits of geopolitical cooperation or the possibility of normalized relations in the long run. History provides a reference point: Franklin Roosevelt allied the United States with Stalinist Russia and Richard Nixon developed a working partnership with Maoist China. In both cases, an intense ideological rivalry characterized the relations, but Washington chose accommodation to enhance its interests and avoid the deadlock.<sup>58</sup> Khamenei's declaration—and later a principle guiding Iran's foreign policy—that the "revolution was exported once, and that is the end of the story" gives more room for such a possibility.<sup>59</sup>

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## CHAPTER 3

### U.S.-IRANIAN STRATEGIC RELATIONSHIP IN 2030

This will shake the world.

Zhou Enlai to Henry Kissinger in 1972,  
upon completing negotiations over the  
Shanghai Communique.<sup>1</sup>

The possibility of P5+1 (the United States, Britain, France, Russia, and China, plus Germany) and Iran reaching a nuclear deal and the benefits of a U.S.-Iranian strategic détente prompt an assessment of a U.S.-Iranian strategic relationship in the next 15 years, regardless of whether Iran “goes nuclear.” This work has developed three types of a U.S.-Iranian strategic relationship and dynamics that could emerge by 2030:

1. strategic engagement involving a nuclear weapons-capable Iran;
2. comprehensive cooperation following a “Grand Bargain”; and,
3. incremental strategic engagement after a nuclear deal.

The parties get to 1) after Iran stalls for time, improves ties with the United States on a limited level, and then admits to having a nuclear weapons capability, prompting a more substantive engagement as the parties seek to maintain strategic stability while cooperating on other issues of mutual concern. The sides achieve 2) after they make a “U” turn and reach a “G” bargain, leading to a comprehensive cooperation between them. They arrive at 3) after concluding a nuclear deal, reaping the benefits of an incremental

yet increasingly strategic engagement as they tackle challenges together and in concert with other actors. These types of a strategic relationship and related dynamics—while overlapping—deliberately focus on a constructive U.S.-Iranian engagement regardless of whether Iran get the “nukes,” skipping a prevalent discussion on two other possibilities: the status quo, which would continue to entrench the hostile relationship; and a U.S., Israeli, or U.S.-Israeli strike on Iran’s nuclear facilities, which would lead to systemic perturbation in the region.

## **STRATEGIC ENGAGEMENT ENSUES AFTER IRAN OBTAINS NUCLEAR WEAPONS CAPABILITY**

In this scenario, despite likely intermittent breaks, the parties continue their nuclear negotiations, building mutual trust in the geopolitical conditions that work against the possibility of a costly strike on Iran’s nuclear facilities. The seemingly successful course of talks ensures that Washington does not commit itself to costly and damaging options for dealing with Iran, saves face, and acclimates its allies to the idea of improving and emerging strategic U.S.-Iranian ties. Tehran effectively stalls for time while continuing nuclear talks; manages to improve ties with the United States on a limited level by helping with regional challenges, including primarily on the counterterrorism front; and only then admits to having a nuclear weapons capability.

The revelation of Iran’s nuclear weapons capability—without an explicit U.S.-Iranian or international deal preventing Iran from obtaining such a capability and without clarity regarding the possession of



a nuclear weapon by Iran—allows Washington and Tehran to partially save face and not break their growing relationship. Unlike in the case with North Korea, Tehran and Washington are prompted to pursue a substantive engagement, seeking to maintain strategic stability and to contain proliferation of weapons of mass destruction (WMD) in the Greater Middle East. Specifically, the United States and Iran undertake major efforts to advance regional security cooperation. However, the lure of WMD is too strong to resist, and a number of regional actors, including Turkey, Egypt, and Saudi Arabia, are poised to start or expand their civil nuclear programs. The diminished U.S. regional profile and the nuclear status of Iran give them no hope of protection by Washington or reprieve from fear due to Iran's potentially adventurous regional policies. The United States still maintains a heavy regional military presence to assuage concerns of its allies, but manages to diminish it significantly in response to a cooperative stance by Iran, the overall trajectory of improving relations with Tehran, and a corresponding relaxation of regional tensions.

While treading cautiously and developing contingency policies, U.S. traditional allies in the Persian Gulf and Israel begin to undertake a more cooperative approach to Iran. They also seek concrete security guarantees from the United States and assurances from China and India to protect them from or hedge against a potentially emboldened Iran that could launch full-spectrum warfare using conventional, proxy, and nuclear attacks. The Arab states in the Persian Gulf leverage their already developing and more constructive ties with Iran, building on their cautious yet increasingly engaged policies toward Tehran following a reelection of Hassan Rouhani or another moderate

and given the prospects of a concluded, comprehensive nuclear deal. Dubbed a “one weapon state,” which assumes its possible annihilation with just one nuclear weapon due to its small territory, Israel finds ways to cooperate with a nuclear Iran, drawing on the legacy of the mutually beneficial ties that had existed between them before and after the Islamic Revolution.

A new strategic reality in the Middle East emerges, with potentially positive implications for the resolution or substantial mitigation of the region’s longstanding conflicts, including the Arab-Israeli one. Both Israel and Iran now have more incentives not to escalate their positions or force their actions vis-à-vis each other or the Arab states, which either seek or have already obtained security commitments from the United States. Iran, as part of cooperation with the United States and for fear of provoking Israel or escalating ongoing interstate tensions, decides to leverage its financial and military influence on Hamas and Hezbollah in an effort to promote an accord between Israelis and Palestinians, as well as Israelis and Arabs as a whole. The Arab states already have more incentive to address their differences, given the enhanced regional profile of Iran. However, the potential for a regional arms race, both conventional and nuclear, is increasing, prompting closer U.S-Iranian engagement to ensure region-wide strategic stability.

In the economic realm, global oil and regional gas prices climb up in the short term, given geopolitical risks stemming from a nuclear weapons-capable Iran. However, the reduction of regional tensions and expanded energy exports by Iran work to mitigate the increase in energy prices. Still, the reduction of regional tensions fails to induce a full-fledged economic cooperation that would otherwise unleash the full po-

tential of Iran's economy. Parties seek to build bridges with a nuclear weapons-capable Iran in an attempt to shape its moves, but they choose not to "deep dive" just yet because of sensitivities about Iran's nuclear status and the need to retain leverage on Iran that increasingly relies on their support to modernize its economy.

## **COMPREHENSIVE COOPERATION FOLLOWS AFTER PARTIES "U"-TURN AND REACH A "G" BARGAIN**

In this scenario, within the next 15 years, the parties conclude a "Grand Bargain," making a complete "U" turn from the decades-long hostile and estranged relations to a friendly and engaged strategic relationship by 2030 that addresses the strategic interests of the United States and Iran and advances security, stability, and development needs of the Greater Middle East. The parties have established official ties, and a normalization of relations is paying big dividends.

Iran is allowed to enrich uranium as part of a nuclear deal but commits not to pursue nuclear weapons capability, while agreeing to a verifiable regime for its nuclear program. It rescinds support to terrorist groups targeting the United States and U.S. allies; collaborates with the United States on policies toward war-torn Iraq; and provides support to Washington in dealing with the Arab-Israeli conflict as well as civil and proxy wars and security tensions still raging in Iraq, Syria, Lebanon, Yemen, Palestine, and Afghanistan. Iran also pledges to work with the United States in tackling Sunni and Shia-inspired extremism and militancy in the Greater Middle East. It further commits to assisting with the reconstruction of Iraq

and Afghanistan; improves its humans rights record; opens up its economy to U.S. and Western investments; and works with the United States to advance the integration of the greater region into the global economic space.

In return, the United States acknowledges Iran's right to pursue nuclear capability for civilian purposes; renounces alleged attempts at regime change; unfreezes Iranian funds seized following the hostage crisis; removes crippling sanctions; and assists with modernizing and integrating the Iranian economy into the regional and global economy networks. It also collaborates with Iran on counterterrorism activities; and stops alleged support to proxies of Saudi Arabia and other countries of the Persian Gulf targeting Iran's interests in the Greater Middle East. Finally, it recognizes Iran's legitimate security interests and role as a rising regional power in the greater region, while significantly downsizing and repurposing its military posture in the Persian Gulf.

A period of more full-fledged cooperation ensues, with Iran and the United States successfully and effectively collaborating in the economic sphere. U.S foreign direct investment (FDI) and technology transfers flow into the badly underperforming and increasingly prospective Iranian economy. Iran manages to revive its energy sector and boost its oil and gas exports, benefiting U.S. and Western corporations as well as European countries that can now lessen their dependence on energy imports from Russia — a perceived geopolitical contender for the United States in Eurasia. Washington and Tehran open up a new vista of collaboration in advancing regional and cross-regional energy, trade, and transit links spanning East, South, Central, and West Asia, thereby promoting globalization and

Iran's lagging integration into the world economy. In the process, Iran turns into a regional economic force, complementing its geopolitical weight. The United States, in turn, advances its strategy of expanding the "core" while shrinking the "gap."

In the security realm, the parties achieve a reduction in regional tensions by addressing Iran's nuclear program challenges and start advancing regional security cooperation platforms involving the United States, Arab countries, Iran, Israel, Turkey, Pakistan, Russia, China, and India, among others. Washington and Iran cooperate in bringing stability to Iraq, Syria, Yemen, Lebanon, and Afghanistan, while collaborating in their increasingly joint struggle against Sunni militancy in the wider region. They also start engaging Arab and non-Arab powers in confidence-building arrangements and promoting common economic and security frameworks advancing development and stability in the Persian Gulf and the Greater Middle East. Negotiations to address the Palestinian issues and the Arab-Israeli conflict receive a promising boost, as parties seek reconciliation following a substantial reduction in regional tensions. The regional parties and Washington also commence the creation of a WMD-free zone in the region.

## **INCREMENTAL STRATEGIC ENGAGEMENT EMERGES AS SIDES CONTINUE ADVANCING TIES**

Under this scenario, Tehran and Washington begin to chart a path to normalization of their relations by pursuing strategic engagement in incremental though not always sequential steps, allowing them to advance from one major track defining a problem to

the next. A step-by-step quid pro quo generates trust that builds up and leads to normalization of relations after 2030. The countries are far from becoming allies, but common challenges and incremental successes build enough momentum for a strategic engagement to emerge on key bilateral and regional issues.

The sides first conclude a nuclear deal, enabling Tehran to enrich uranium permanently under a verifiable regime in return for lifting of sanctions. A relaxation of regional tensions ensues, despite Iran's ability to obtain a "breakout" capacity, prompting the parties to seize the momentum and pursue a strategic engagement on select issues. As part of the post-nuclear deal memorandum, the parties publicly issue apologies for grievances stemming from the Central Intelligence Agency-backed overthrow of Iranian Prime Minister Mohammad Mossadeq in 1953 and the 1979 hostage crisis. The United States discontinues the policy of regime change and recognizes the Islamic Republic, prompting Tehran to set up a diplomatic conduit short of establishing diplomatic ties for fear of creating too much pressure too soon on the theocratic regime to adapt or face removal from power.

Washington trades its economic toolkit for Iran's geo-economic and geopolitical capabilities. The parties develop a plan to enhance trade relations with the United States and its allies, committing to technology transfers, and billions in FDI flows into the Iranian economy. This helps Iran modernize and diversify away from its overwhelming dependence on the oil sector and Asian energy importers. Better performance and more open and diversified economic ties mitigate prevalent youth unemployment and reduce poverty, stimulating political liberalization. In return, Iran agrees to serve as a major interregional link for

a growing number of trade, energy, and transit corridors being built throughout the Greater Middle East, contributing to the U.S. policies of integrating Central-South Asia and the Middle East with the global economy.

The United States recognizes Iran as a regional power with legitimate interests and abandons its policy of containment in return for Tehran's constructive engagement in addressing regional security challenges. Iran, in time, assists with resolution of conflicts and reconstruction of Iraq, Syria, and Afghanistan. Tehran ceases military support to Hamas and Hezbollah, pursuing their transformation into demilitarized entities operating within mainstream politics of Palestine and Lebanon. It also helps integrate Shia militias into the fragile political and security order in Iraq, while working to bring a resolution to the still raging conflict in Syria. This process is not a clear-cut trade, but a phased approach enabling the parties to verify each other's intentions and build trust as they gradually elevate their strategic relationship from one track to another.

The United States, Iran, Turkey, Iraq, and the Arab states pursue regional security cooperation, advancing secure passage of energy resources through the Persian Gulf, a WMD-free zone, and normalization of ties involving Israel, Iran, and the Arab states. Increasingly, the parties appreciate Iran's contribution to regional security and development, while Iran moderates its tense stance toward neighbors and engages in cooperative practices that advance confidence in its constructive role as a major regional power. The constructive engagement by Iran mitigates security concerns emanating from Tel-Aviv and Arab capitals about Iran's growing regional profile and improving ties between Tehran and Washington, creating conditions for the re-establishment of diplomatic ties be-

tween the United States and Iran, as well as Tel-Aviv and Tehran, in the next few years. Iran's theocratic regime remains in place, but moderate forces gain increasing influence across administrations and prepare the groundwork for Iran's political transformation from a Sharia-based system to a secular political order beyond 2030.

### **THE THREE ALTERNATIVE FUTURES – LIKELIHOOD AND PLAUSIBILITY ASSESSMENT**

#### **Strategic Engagement Ensues after Iran Obtains Nuclear Weapons Capability.**

This scenario and related outcomes are premised on Iran's interest in acquiring nuclear weapons capability at all costs. This is not a far-fetched proposition, considering the history of concealed nuclear facilities in Iran, Tehran's defiance of United Nations (UN) Security Council resolutions, and its lack of cooperation with the International Atomic Energy Agency (IAEA). The survival of the theocratic regime, perceived threats from Israel, and invasions of and proxy wars for new regimes in Iraq, Afghanistan, and Libya, among others, enhance for Iran the appeal of nuclear weapons and related deterrence capabilities. Getting its hands on the "nukes" would make Iran part of the club of nuclear powers and help it advance its regional political and military influence while raising its prestige as the first Shia Muslim country to possess nuclear weapons in the region alongside Israel and Pakistan.<sup>2</sup> Iran also perceives the development of nuclear weapons as a "shortcut" to get to a "desired modernity" by demonstrating its scientific capacity and advancement to the world and major powers.<sup>3</sup>



In this light, Israel worries that “the charm offensive” by the Rouhani administration could drive a wedge among the P5+1 members, undermine the impact and intent of international sanctions, and lead to a deal that brings Iran closer to nuclear breakout capacity. Hence, Israeli Prime Minister Benjamin Netanyahu’s portrayal of the “interim” deal as a “historical mistake,” not a “historic agreement,”<sup>4</sup> or his characterization of failure by the parties to reach an agreement by November 25, 2014, as “no deal is better than a bad deal.” This scenario assumes that Israel and the United States would allow Tehran to drag nuclear talks on for the next 15 years. Iran may well manage to play a “one step forward, two steps back” game in the talks. Iran can also build confidence and rapport with Washington in the meantime by helping it address regional security issues before an ultimate nuclear deal is reached, stalling for time as it works to get its grip on the “nukes.” Meanwhile, a normalization of trade relations and integration of Iran into the global economy could remove the current focus on its nuclear program, enabling Tehran to obtain nuclear weapons capability with less resistance from major actors and the international community. This could be part of the current strategy by Tehran, which seeks to exhaust external parties and discourage them from applying similar pressures a repeated number of times.<sup>5</sup>

Some argue that the United States, Israel, and their partners simply have no viable options preventing Iran from obtaining nuclear weapons capability, placing a higher premium on accommodation and relaxation of tensions with Iran. The U.S. regional power is more likely to decline further down rather than climb back up—exactly the reason for strategic engagement with a nuclear Iran. In March 2013, Ameri-

can President Barack Obama indicated, referring to the U.S. intelligence community, “it would take Iran over a year or so to develop a nuclear weapon.”<sup>6</sup> Skeptics dismiss the view about the lack of options for dealing with Iran, alleging that the “lack of options” argument provides justification for acceptance of a nuclear Iran. This, they argue, could breed what is dreaded—a nuclear Iran run by Mullahs keen on spreading their fervent Islamic revolution across borders.

The scenario also assumes that Israel and the United States would accept a nuclear weapons-capable Iran and its potential adventurism in foreign policy throughout the region after the revelation of Iran’s nuclear capability and would not resort to the use of force to stop Tehran from fielding a nuclear weapon or producing more of them in the future. Put differently, they would not “strike while the iron is hot” or “take the bull by the horns” while they still could. Both sides drew their “red lines,” with Israel pledging not to allow even a nuclear weapons-capable Iran and the United States promising to prevent Iran from obtaining a nuclear weapon.<sup>7</sup> In a way, this line of thinking is similar to the “red line” drawn by Washington for Assad’s use of chemical weapons, only much more difficult to defend when it is Iran crossing it, even if it may not have the weapon yet. The revelation of Assad’s WMD use and Washington’s hesitation to enforce the “red line” in response speaks of diminished U.S. capacity to intervene forcefully. At the same time, one should not discount a possibility that Israel and/or the United States may be tempted to strike a nuclear Iran, assuming that Iran’s nuclear capabilities are still limited.<sup>8</sup>

As far as Iran's possible adventurism, the record of nuclear proliferation does not lend credibility to the argument that nuclear weapons "facilitate regional bullying or adventurism."<sup>9</sup> Though not a guarantee, the possession of nuclear weapons could make its owner more cautionary and less escalatory, though it would certainly limit policy options of other actors in the region. For instance, a hypothetical Iranian declaration equating an attack on Hezbollah as an attack on Iran would certainly constrain Israeli's range of responses.<sup>10</sup> Kenneth Waltz' argument that Iran's nuclear weapons could be a factor of strategic stability in the Middle East<sup>11</sup> deserves a careful review, not as a prescription for helping Iran get the nuclear bomb but as a means to deal with a geopolitically complex aftermath. Of course, one should admit that neither Iran, nor Israel would operate in a "stable [Mutually Assured Destruction] environment" because neither of them could have a "secure, second-strike capability," prompting a dangerous possibility of what Thomas Schelling describes as "reciprocal fear of surprise attack."<sup>12</sup> Nevertheless, the existence of "two nuclear states plus regional stability" may be a better outcome than "two nuclear states with regional upheaval," not to mention nuclear proliferation risks inherent in either outcome.<sup>13</sup> Finally, regional and other countries would more likely welcome a nuclear Iran that is open, secular, more democratic, and engaged with the West and others, rather than a nuclear Iran with opposite attributes.<sup>14</sup>

Another assumption of the scenario is that Iran and the United States get to start improving their relationship without addressing Iran's nuclear program issues adequately. This is not impossible but difficult to imagine, given potential accusations of defeat that

opponents in both countries could level on respective administrations. Valid as it may be, one should also consider the history of U.S.-Iranian cooperation during the Contra Affair in the 1980s and in Afghanistan shortly after September 11, 2001—in addition to conceivable wild card scenarios—that provides a precedent and reveals a potential for improvement in ties without the parties concluding a nuclear deal first. A relaxation of tensions following a conclusion of the deal could, however, lead to an even more substantive and productive strategic engagement, and in relatively shorter timeframes. This would not only extend to the bilateral relations as they concern the Greater Middle East but also Latin America, where Iran has been enhancing its presence (As Mahmoud Ahmadinejad once quipped, “When the Western countries were trying to isolate Iran, we went to the U.S. backyard.”<sup>15</sup>)

The scenario’s major vulnerability stems from the idea that the new reality of a nuclear-weapons capable Iran invites more cooperation, even strategic engagement, from Washington. This is not an invalid observation, considering the case of severed U.S.-North Korean ties, especially after Pyongyang went nuclear in the 2000s. However, major differences work in favor of an increasingly strategic engagement with a nuclear-weapons capable Iran. The United States and Iran have not fought a prolonged conventional war on Iranian or other territory and are not deadlocked in an armistice. Nuclear China and Russia—both bordering North Korea and having massive conventional forces and arsenals—provide some measure of containment and counterbalance to North Korea. A nuclear weapons-capable Iran would find itself in the region with a nuclear Pakistan and Israel that possess about 100 and 200 nuclear bombs each. Not least important

is the overall complexity and the conflict potential in the Greater Middle East—the area I dub the “region of wars.” There is just too much at stake in this region for the United States to distance itself from a nuclear weapons-capable Iran that can create solutions as well as problems (depending on the approach the United States chooses to pursue under the circumstances). Moreover, the United States has found a way to cooperate with a nuclear Pakistan and India.

Finally, the scenario assumes that the Arab states, Turkey, and Israel would accept the status quo, begin to gradually improve ties with Iran, and would refrain from pursuing their own nuclear capability. On the one hand, this is a valid possibility, assuming that the United States brings in all the parties into common security frameworks and extends its more explicit protection to the Arab states and Israel (Turkey is already a North Atlantic Treaty Organization ally). The Arab states and Israel could also draw on their legacies of cooperation with Iran before the Islamic Revolution, after the revolution, and even more recently in the case of the Arab states and Iran.<sup>16</sup> On the other hand, tensions between the Sunnis and Shia are running high, Saudi Arabia is poised to contest Iran’s growing capabilities, and Israel’s fear of a nuclear Iran is too strong for cooperative steps to emerge. But there is a third possibility: A nuclear Iran could actually stimulate cooperation between all concerned parties for purposes of maintaining strategic stability in the greater region.

## **Comprehensive Cooperation Follows after Parties' "U"-Turn and Reach a "G" Bargain.**

This scenario assumes that the parties manage to reconcile many of their grievances after more than 3 decades of their estranged and hostile relationship. It ignores the record of repeatedly failed negotiations; bureaucratic inertia; and opposition within Iran, the United States, Israel, and the Arab states to a deal allowing Iran to permanently enrich uranium (thereby allowing it to get to the breakout capacity) leading to full-fledged U.S.-Iranian cooperation. While weighty, this line of thinking disregards the systemic forces reviewed in Chapter 1, strategic interests shared by Tehran and Washington pushing them to achieve the "Grand Bargain," and opportunity costs of failing to conclude such a high-payoff deal. The "Grand Bargain" is grand not only due to its historic and geopolitical significance. It is also grand because of its *quid pro quo* elements that ultimately constitute and are shaped by those very systemic forces that are capable of simultaneously supporting and challenging the regional order. In other words, the system itself needs the "Grand Bargain" to save itself from implosion. Holding keys of a systemic change in the region, Iran and the United States can make it happen. Both share a number of common interests, threats, and opportunities that are calling for the grand deal.

Skeptics further point to numerous difficulties of pursuing such a complex undertaking resting on a multitude of diverse and controversial issues, which are of fundamental importance to the parties involved. They have a point. Just resolving the nuclear side of the deal is a mind-boggling exercise that may yet undercut the desirability and anticipated practicality

of an incremental approach to the nuclear talks and construction of a U.S.-Iranian strategic relationship. But years of negotiation failures have convinced opponents that pursuing and getting to the “G” bargain is not a senseless idea. The policy of coercion and isolation of Iran largely has failed over the last 3 decades, while no “U” turn in the relations should be expected without a deal involving a big leap rather than small steps. First, a decision to pursue the “G” bargain would not damage the U.S. position. Second, the parties can avoid minor setbacks that are a feature of incremental approaches and could derail the entire trajectory of talks and force parties to start over. Third, they can ensure higher pay-offs in shorter timeframes.<sup>17</sup> A “G” bargain caters to Iran’s view of itself as a major player with legitimate security interests, which is capable of making “grand” deals with a “great” power based on mutual respect and common interests. After all, Iran was a, if not the, major protector of the Persian Gulf states prior to the Islamic Revolution—a role it ceded to Iraq and the United States and now wants to reclaim by leveraging its rising profile.<sup>18</sup> It also views its security through the prism of foreign invasions—7 in the last 200 years, to be precise—which brought humiliation and left a lasting mark on the Iranian psyche.<sup>19</sup>

Proponents of the “Grand Bargain” scenario also highlight historical precedents, including the ones involving Iran itself, which demonstrate the futility of the incremental approach and the need for “Grand” thinking. They cite Richard Nixon’s decision to “put aside all the issues which constituted the existing Sino-American dialogue” and focus on “the broader issue of China’s attitude toward dialogue with the United States”—a move that allegedly led to the Shanghai

Communiqué in 1972 and improvement of the relationship between the two states.<sup>20</sup> They further cite Iran's cooperation with the George H. W. Bush administration on the hostage crisis in Lebanon, with the Bill Clinton administration on arms shipments to Bosnia, and with the George W. Bush administration on the invasion of Afghanistan—all of which could have, but failed to induce a *détente* between the United States and Iran.<sup>21</sup> Tehran further pursued comprehensive negotiations with Washington starting with the second term of the Khatami administration.<sup>22</sup> But the lack of meaningful engagement by the United States led to a weakened position of moderates within the Iranian administrations, which culminated in the comeback to power of the Principalists in the face of Ahmadinejad as president, who leveraged the country's growing revenues from record-high oil prices to challenge the U.S. position throughout the greater region.<sup>23</sup>

Tehran went even further, reaching out to Washington in search of a "Grand Bargain" in 2003, offering to end support to Palestinian terrorist groups; encourage disarmament of Hezbollah; assist with counterterrorism; accept a Saudi plan on Arab-Israeli peace; work with Washington to advance political and economic stability in Iraq; and open its nuclear program to intrusive inspections. In return, it asked the United States to recognize the legitimacy of the Islamic Republic and its security concerns; stop the regime-change rhetoric; lift all sanctions; support Tehran's efforts to obtain war reparations related to the Iran-Iraq War; assist with apprehension of members of an Iranian expatriate terrorist group; and respect its right to access chemical, biological, and nuclear technology. Israel would need to withdraw from all occupied territories, accept an independent state of



Palestine, and agree to equal sharing of Jerusalem and a fair resolution of the Palestinian refugee issue. The expectation was that it would lead to normalization of ties between Iran and Israel and the successful implementation of the two-state solution.<sup>24</sup> But the Bush administration rejected the deal because it legitimized the Iranian regime<sup>25</sup> and because the United States was in the position of relative strength after it toppled the Taliban in Afghanistan and Saddam Hussein in Iraq on Iran's eastern and western flanks.

Now that Iran has traded places with the United States, would it pursue a "G" deal with Washington, whose regional geopolitical clout has been dissipating? On the one hand—"no," because a relatively stronger Iran may not favor the deal altogether, let alone a sub-optimal one. Iran is already experienced in facing regional security threats in the conditions of isolation and sanctions, which suggests that a rapprochement may not be viewed in Tehran as an absolute necessity.<sup>26</sup> On the other hand—"yes," because Iran's stronger bargaining power can allow it to get a better optimal deal. What is clear is that motivations to engage in talks are not always easily defined, leaving plenty of room for "yes," "no," and "it depends" options. Furthermore, Iran is known to have reached a *détente* with both Britain and Saudi Arabia, despite deep antipathy by Khamenei's regime to Riyadh and a "conspiratorial" sentiment toward London.<sup>27</sup>

The likelihood of the U.S.-Iranian strategic relationship emerging rests on the "G" deal's perceived power to transform interstate ties. But would it generate sufficient and necessary momentum for relaxation of tensions across a wide spectrum of complicated regional conflicts and agents? After all, the pursuit of regional security cooperation mechanisms is un-

likely to eliminate lingering and legitimate geopolitical concerns of the United States, its allies, and Iran itself. Nor is it likely to ensure the end of proxy wars or militant attacks coordinated by regional state entities dissatisfied with the "G" bargain. Finally, the scenario assumes that all, and I mean all, are onboard with the deal, even if Washington and Tehran go it alone in spearheading fundamental changes that the bargain entails. Of course, some could counter that there is "no historically determined enmity between Arabs and Iranians" and thus find accommodation following the conclusion of the "G" Bargain an easy undertaking, citing Iran's expanding ties with Iraq following the removal of Saddam, for instance.<sup>28</sup> But this ignores conquests of Persian domains by Arabs and religious and civilizational differences, not to mention geopolitical circumstances and dynamics that have long generated hostility between Iranians and Arabs.

A good question, then, is whether a strategic relationship based on comprehensive U.S.-Iranian cooperation is an illusion. As some argue, Iran does not want a unified Iraq and seeks regional domination. It cannot provide guarantees of abandoning its alleged nuclear weapons program. Iran also needs the conflict with the United States to ensure its regime survival.<sup>29</sup> A far-reaching bargain seems impossible on ideological, political, and economic grounds, as the Iranian regime was founded on revolutionary zeal and anti-Americanism.<sup>30</sup> Accepting engagement with the United States for some Iranian Principalists is equivalent to aligning Iran's policies, if not subordinating them, with those of Washington, Tel Aviv, and Riyadh to the detriment of Iran's autonomous regional position and its role as a defender of Muslim causes.<sup>31</sup>

Of course, miracles are unlikely to occur overnight: This was true of the U.S. détente with China and the Soviet Union and would be true in the case of a U.S. détente with Iran. The transformation of interstate ties is not the “G” Bargain’s stipulation but an implication requiring time and direction to unfold. Moreover, the parties could increase the chances of such a bargain if they viewed normalization of their ties as a statecraft tool rather than a post-deal award.<sup>32</sup>

### **Incremental Strategic Engagement Emerges as Sides Continue Advancing Ties.**

Unlike the first scenario, Iran gets to enrich uranium permanently under a verifiable regime but does not obtain or admit to having a nuclear-weapons capability. Unlike the second scenario, Tehran gets the nuclear deal done in order to advance normalization of ties in the long run, but does not seek a “G” Bargain due to its relatively stronger geopolitical position and desire to first enhance confidence in mutual relations by pursuing incremental steps in cooperation with the United States on select issues. This scenario is in between the two “extremes” and may have better prospects at materializing, though it is not without a set of its own weak and strong points.

The strategic relationship presumed under this scenario shares similarities with a “select engagement” partnership concept articulated in “Iran: The Time for a New Approach” report by an Independent Task Force, chaired by Zbigniew Brzezinski and Robert Gates. The report authors called for the United States to reassess its policy of nonengagement, highlighting areas in which the United States and Iran could undertake their selective engagement on converging

interests and build on incremental progress to address the broader range of issues. However, the report also provides dissenting views that cast doubt on the likely relative success of the incremental engagement in improving the general relationship between Washington and Tehran, citing failure of such approach over the last 3 decades and the need for a more comprehensive deal.<sup>33</sup>

Others have voiced similar ideas or assessed U.S.-Iranian engagement from the perspective of different negotiating strategies meant to satisfy the parties' interests. Former U.S. ambassador to Iraq and Afghanistan Ryan Crocker; Director of the Iran Project at Columbia University William Luers; and former U.S. Undersecretary of State Thomas Pickering have called for a strategic U.S.-Iranian partnership, emphasizing that "mutually informed parallel action is essential."<sup>34</sup> Seyyed Hossein Mousavian, a former Iranian diplomat and author, in turn, has recommended a phased approach by first addressing the nuclear issue, followed by issues related to terrorism, human rights, Iraq, Syria, and energy, among others. Lynn Davis, in her RAND study, highlights the need for "caution" and "hedging" to foster and harness a change in Iranian policies.<sup>35</sup> Meanwhile, Christine Parthemore and James Miller point to the need for a game-changing diplomacy with Iran that would require "de-emphasizing near-term threats of military action, giving first priority to getting comprehensive verification in place for Iran's nuclear program, and negotiating directly with Iran on a broad range of issues"<sup>36</sup> thereafter.

Such approaches and envisioned relationships presume that the parties proceed cautiously in view of domestic politics and that they build trust gradually, in part to mitigate concerns of anxious allies about

prospects of improved ties between the United States and Iran. To flip a term often attributed to President Ronald Reagan, the parties first need to “verify, then build trust.”<sup>37</sup> The incremental approach focuses more on timing, issues, and building trust rather than just issues. It appears more possible in the circumstances of severed diplomatic ties because the parties need time to cultivate trust first through phased cooperation. In contrast, parties that recognize one another and maintain diplomatic ties have more room to encourage faster, more comprehensive, and simultaneous work on all concerned tracks. The incremental approach to strategic engagement in this scenario makes the process lengthier, slowing down the momentum toward a full-fledged strategic relationship because of potential setbacks that can occur with each new administration. However, it does not presuppose the impossibility of pursuing a resolution and/or collaboration on several separate tracks simultaneously; it merely makes it less likely while emphasizing gradualism and trust-building as parties move along the spectrum of normalization from one issue to the next in a more or less phased manner. After all, building trust and endowing interests-based agreements with trust makes them much more likely to be accepted as binding, effective, and productive in spurring a substantial cooperation.<sup>38</sup>

The scenario further assumes that Israel chooses or is forced not to launch an attack on Iran, despite its declared policy of preventing a nuclear-weapons-capable Iran at all cost. As part of the concluded nuclear deal, Iran can enrich uranium permanently under specific caps preventing Tehran from getting a break-out capacity. But Israel is unlikely to trust Iran, even with the IAEA’s safeguards in place, given the revelation of secret nuclear facilities in Iran in the past.

However, the conclusion of a nuclear deal would lead to reduction in regional tensions. Israel's diplomatic maneuvers to convince the international community about the practicality, necessity, or desirability of an attack on Iran's nuclear facilities would be more constrained, especially given serious limits on Israeli and U.S. capabilities to strike and destroy or set back Iran's nuclear program.<sup>39</sup> The position of the United States, too, would work against such a possibility.

The scenario also assumes that Iran is desperate for economic support and would reciprocate using its economic capacity as an energy power and transit link and its geopolitical capacity as a regional power. Iran's economy is outdated and underutilizing its potential, but whatever gains it has made seem to have been sufficient over the last 3 decades to continue on an isolationist course. What made a partial difference in inducing the ongoing talks, however, were the crippling sanctions on Iran's oil sector and the fact that Russia and China, among others, joined in. The badly performing economy and anti-government protests against electoral fraud in 2009 encouraged the Iranian regime to relax its grip, made possible by the new administration headed by Rouhani, who declared a new course toward a resolution of the nuclear program issues.

But this line of thinking rests on the argument that the Islamic regime does not fear the prospect of political liberalization and popular pressures for political and economic reform following the conclusion of a nuclear deal, economic opening, and U.S. recognition of Iran—the issues making the idea of Iran's integration into the global economy a double-edged sword. After all, it is anti-Americanism that keeps the regime in power in Tehran. Yet, the Iranian theocratic system

is very unpopular among Iranian citizens; the Iranian public has a more favorable opinion of the United States than societies in many countries in the Middle East; and popular pressure for reform in Iran is growing, considering prevalent unemployment and high inflation<sup>40</sup>—a dynamic not lost on domestic politics in Iran with the coming of a moderate administration. That said, Iran has “multiple centers of authority and constant power struggles,” and its system has proven “remarkably resilient to wars, economic crises, and intense domestic rivalries.”<sup>41</sup>

The incremental engagement envisioned in this scenario also makes the desired transition to a more liberal political and economic order in Iran a more smooth and, thus, more accepted and likely outcome.<sup>42</sup> The history of ongoing struggles for democracy in Iran—thwarted by domestic and external forces over the last 100 years—highlights that possibility (the Constitutional revolution in 1906; the Mossaddeq rebellion; the Islamic Revolution which the populace initially perceived as a quest for more democratic rule; and a series of reformist administrations).<sup>43</sup>

However, it is unclear if Iran wants to be part of America’s project of advancing globalization. Iran may also lose support with Muslims worldwide by collaborating with Washington on controversial issues. Meanwhile, opponents of the incremental strategic engagement could play the role of spoilers, preventing Iran and the United States from pursuing the disarmament of Hamas and Hezbollah, or reconstruction in Iraq and Afghanistan, among other goals. To mitigate this prospect, Iran and the United States could position themselves as bridges between the West and the East, the Christian and the Muslim civilizations, the developed and developing worlds working together

on what are increasingly common challenges in the age of globalization.

Regardless of the ultimate shape of a U.S.-Iranian strategic relationship, it would mark a dramatic reversal of the currently hostile relationship—a shift for which Washington, Tehran, and their allies should prepare now. The proposed policies do exactly that, assuming the United States desires a strategic relationship with Iran to reverse its decline and attain a “strategic recovery.”<sup>44</sup>

### ENDNOTES - CHAPTER 3

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38. Tirman, p.16. Tirman views trust as an important component of any big deal with Iran, but the concept is also applicable in the case of incremental evolution of a relationship or agreements between Iran and the United States.

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## CHAPTER 4

### CULTIVATING AND PREPARING FOR STRATEGIC CHANGE

Strategy without tactics is the slowest route to victory.  
Tactics without strategy is the noise before defeat.

Chinese proverb  
(apocryphally attributed to Sun Tzu).<sup>1</sup>

### STEERING RELATIONSHIPS WITH KEY PLAYERS

Besides seeking to mend ties with Iran, the United States would need to steer its relationships with major actors to prepare for a strategic shift that its détente with Iran would entail, regardless of whether Iran “goes nuclear.” Doing so would more effectively ensure U.S. national interests and prepare its allies and partners for this shift and the ensuing strategic change. Washington would need to highlight related strategic benefits for its allies and for the regional stability. In the process, the focus should be on steering, not pushing, as well as on guiding, not dragging, its partners. This is critical because:

- a. The United States cannot impose outcomes as effectively as it could have a decade or more ago, given its diminished global and regional influence;
- b. Iran itself should be encouraged to open up and do more to gain trust of U.S. partners and allies;
- c. The United States should not create an impression or a reality of abandoning its partners; and,
- d. Washington needs to ensure that there are as few spoilers of the anticipated shift as possible.

Pursuing the nuclear talks in the framework of P5+1 (the United States, Britain, France, Russia, and China, plus Germany) is important because it allows fostering common decisions and outcomes that reflect the positions of several U.S. partners, gradually softening them to the idea of a U.S.-Iranian engagement that may turn into a strategic relationship in the long term. Washington would find it easier to work with European allies that are members of the North Atlantic Treaty Organization (NATO). These countries share extensive interests with the United States, have concerns about their energy security, and possess economic tools to help Iran revive its economy. After the conclusion of a nuclear deal and removal of sanctions, Washington should work with them closely to ensure substantial foreign direct investment (FDI) and technology transfers to Iran in return for constructive steps by Tehran toward normalizing its ties with Washington and European capitals in various spheres. The deal should be very sweet and difficult to resist for Iran, which needs massive investments and technological infusions to revive its underperforming oil sector and the overall economy.<sup>2</sup>

Steering U.S. ties with Russia, China, and India would be more difficult but no less important, given the need to mitigate potential obstacles to U.S.-Iranian engagement by Moscow, Beijing, and New Delhi. Russia is not interested in having a nuclear Iran at its doorstep and would prefer being able to shape regional outcomes if Iran were to “go nuclear.” It has positioned itself as an intermediary in the nuclear dispute, seeking to reap “the benefits of selective cooperation” with both the United States and Iran.<sup>3</sup> Moscow’s ties with Tehran worsened after the discovery of an enrichment facility near Qom and Russia’s support to

the United Nations (UN) Security Council Resolution 1929, which banned the sale of its advanced S-300 surface-to-air missile system to Iran.<sup>4</sup> However, Russia helped Iran complete a nuclear power plant in Bushahr in 2012 that requires Iran to return all spent fuel rods to Russia; agreed in 2014 to build two new nuclear power reactors in Iran and potentially six more thereafter, with the oversight of construction and fuel handling provided by the International Atomic Energy Agency (IAEA)<sup>5</sup>; remains Tehran's major weapons supplier, accounting for 16 percent of Iranian arms imports in 2011.<sup>6</sup> Russia and Iran further support Assad in Syria, where Russia maintains its only refueling station in the Mediterranean region and where Iran finds its only state ally.<sup>7</sup>

But Russia is also a major oil and gas exporter and a competitor to the energy-rich Iran. A U.S.-Iranian strategic rapprochement would enable the European Union (EU) and Iran to explore options of delivering substantially more energy exports to the EU, Central Asia, and Southeast Asia, primarily to China and India, undermining Moscow's leverage on these regions and countries. More expanded exports by Iran could well cause a drop in global oil and regional gas prices, undercutting energy revenues on which Kremlin strategists rely to maintain their power, while encouraging Russia to diversify and modernize its own economy. Washington would need to work with both "siloviki" and "civiliki" to advance a vision of a modern Russia, which is not hostage to its resource exports-based economy but is a globally competitive player. In this context, and to prevent a Russia being caught off guard, Washington should help Moscow develop other sectors of the Russian economy with FDI and technology inflows from the West. This would help Russia

liberalize economically and politically, while preparing it to face an increasingly active Iran that is keen on expanding its energy exports. Washington should also encourage Russia to enhance its economic presence in Iran to mitigate Tehran's dependence on China, sending a signal that Russia would remain a part of the strategic change in the region. Finally, it should continue to leverage its missile defense plans in Europe to elicit Russia's cooperation in facilitating both the nuclear talks and a future U.S.-Iranian strategic engagement.

China is a major player on Iran-related issues ranging from proliferation and sanctions, arms sales, energy resource development, to trade and investments. Beijing has not lent strong support either to the United States or Iran in the nuclear dispute, "supporting nuclear/arms sanctions on Iran diplomatically and flouting them in practice." China is Iran's largest trading partner (planning to boost trade to at least \$100 billion by 2016 from the current \$30-40 billion) and a major arms supplier (it had provided Tehran with large arms shipments—including HY-2 Silkworm anti-ship missiles—by the 6th year of the Iran-Iraq War in 1980-88). China had supplied missile-related technologies to Iran, forcing Washington to impose sanctions on Beijing from 2001-10. It is also Iran's largest oil importer, importing 85 percent (worth \$U.S.39 billion) of all Iranian oil exports in the first 10 months of 2011 (though its imported oil from Iran in 2011 represented 11 percent of all oil imports). Beijing is one of a few major players assisting Iran with modernizing its energy sector and exploiting Iran's underdeveloped and new oil and gas fields.<sup>8</sup>

China views Iran as a platform against alleged U.S. domination attempts, seeking to enhance its regional



influence while “pinning down” the U.S. military in the Gulf to make it more challenging for the United States to implement its declared pivot to the Pacific to face a rising China. As a prominent Chinese foreign policy analyst Wang Jisi, Dean of the Peking University School of International Studies, commented on the U.S. war effort in Iraq: “It is beneficial for our external environment to have the United States militarily and diplomatically deeply sunk in the Mideast to the extent that it can hardly extricate itself.”<sup>9</sup> Mending ties with Iran is a key to the U.S. extrication, while working with China could help Washington to foster improvement in the U.S.-Iranian relationship. U.S. efforts to induce cooperation from China would involve accepting a greater yet constructive role of China in global affairs; U.S. cooperation on cross-Strait issues; U.S. support for China in accessing high technology from the United States;<sup>10</sup> and proposals for sharing the burden of protecting energy flows increasingly bound for East Asia.

While India is not a member of P5+1, its status as a nuclear power, economic dynamism, and growing geo-economic partnership with Iran makes New Delhi a critical actor in influencing the evolution of Iran over the next decade. India has the largest population of Shias after Iran; faces similar geopolitical concerns regarding the role of Pakistan in Afghanistan and the wider region; and has concerns about stability in Central Asia. It is a major energy importer and a growing trade partner for Iran, which offers the main trade corridor for India to Central Asia given Pakistan’s reluctance to allow expanded trade across its territory into Central Asia. New Delhi is keen on cooperating with Iran in developing Iran’s port at Chabahar that would facilitate a trade and transit connection between In-

dia, on the one hand, and Afghanistan and Central Asia, on the other, bypassing the need for India to rely on Pakistan to access those markets. India is also concerned that Iran is turning into a strategic partner for China — Iran's main arms exporter and energy importer.<sup>11</sup> India has agreed — under strong pressure — to cut oil imports from Iran after the imposition of sanctions in 2012, but has drastically boosted energy and other cooperation with Iran following the conclusion of the “interim nuclear deal” in November 2013. The United States should work with New Delhi to advance inter-regional infrastructure initiatives involving Iran, not least due to India's growing profile in Central Asia and Afghanistan, as well.

China and India are major importers of Iranian energy resources, and their share is only bound to grow with the removal of all sanctions on Iran, translating into more geopolitical leverage for Beijing and New Delhi in the Greater Middle East. China's and India's growing regional economic presence is critical for the development of the region and the U.S. strategy of shrinking the “gap,” but Washington should keep in mind the geopolitical mass that their economic presence is generating and how China and India could leverage it to the detriment or benefit of U.S. policies in the region, especially in light of anticipated military expansion of these actors in the Persian Gulf and the Greater Middle East.<sup>12</sup> In this context, the United States would do well to enlist the support of its Western partners in helping Iran diversify its economy away from its overwhelming reliance on China, India, and other actors in South-East Asia, while enhancing their own geopolitical presence. By 2013, Iran's trade with Asia counted for 83 percent of its overall trade, while its trade turnover with China represented 50

percent of its overall trade.<sup>13</sup> Washington should also start working with China and India on developing regional security mechanisms and, with time, joint or rotational patrolling of the Persian Gulf and other sea arteries through which energy exports, including those of Iran, flow to global markets. It is critical that Washington navigates its relationship with China and India by institutionalizing it, given implications of more dynamic and strategic ties involving Tehran, Beijing, and New Delhi following a nuclear deal.

But steering ties with Israel and Saudi Arabia, among other Arab Gulf Cooperation Council (GCC) states, would require a lot of finesses on the part of Washington. Skeptics fear that neither Saudi Arabia, nor Israel is likely to significantly alter their policies vis-à-vis Iran after the conclusion of a nuclear deal, let alone a possible détente between Tehran and Washington. Washington should pursue regular and high-level strategic dialogues with and among all the concerned parties on broader regional security and strategic issues in order to mitigate any adverse implications from the deal.<sup>14</sup> It should also continue policies emphasizing “prevention and preparation” vis-à-vis both Iran and Israel: discouraging Iran from obtaining nuclear weapons and being ready to deter should it “go nuclear,” while discouraging Israel from launching an attack on Iran and strengthening its capabilities in an effort to prepare it for a new strategic reality in the region. In the process, the United States should encourage intelligence sharing with Israel and communication between Israeli and Iranian security experts and officials on deterrence and cooperation issues.<sup>15</sup>

Washington has levers to encourage Israel to support U.S. positions and policies regarding a U.S.-Iranian détente provided this rapprochement assures

Israel's core security interests and involves Iran as a friendlier power. Washington is Israel's major arms supplier, providing it with \$U.S.3 billion in military aid annually. Both share extensive technological, economic, and strategic ties. The United States should consider extending its security commitments to Israel but in a way that allows Israel sufficient autonomy in addition to enhanced protection so as not to undermine Israel's own deterrence while enabling its freedom of action as needed.<sup>16</sup> In parallel, Washington should encourage Tel-Aviv to play a constructive role in resolving regional conflicts, which would ease regional tensions and allow Israel to gradually improve ties with Iran, especially given Tel Aviv's history of cooperation with Iran and their only recent strategic competition (both started to view one another as very strong rivals only in the last decade.<sup>17</sup>)

In the case of Arab countries, especially Saudi Arabia, the United States would do well to reinforce its security commitments but without expanding its military posture after a nuclear deal, as it seeks to reduce its military presence due to gradually improving ties with Iran and the need to pivot to the Pacific to face assertive China. It should also encourage economic and security ties between Iran and the Arab states because resolving the region's conflicts depends on cooperative policies between major Sunni and Shia supporters. Iran and Saudi Arabia, among other Arab states, have already started to work more closely, given Tehran's growing regional profile and diminishing U.S. influence in the region. Washington should encourage their cooperation, ideally as part of institutionalized processes, regimes, and mechanisms, in order to build upon this institutional framework of cooperation when the time comes for a U.S.-Iranian détente.

As it steers its partners, Washington should not lose sight of the need to restore a balance of power in the region. The weakened Iraq is no longer offering that opportunity, but there is a country that does—Turkey. A NATO ally with the largest army in the Middle East and population approximating Iran's, Turkey has emerged over the last decade as one of the world's most dynamic economies, recently becoming the world's 15th largest. Its economic prowess has enabled it to play an increasingly assertive role in the extended neighborhood, boosting its economic presence and political sway, including in Iran with which it shares strong energy and trade ties. It was Turkey that, along with Brazil, had brokered a nuclear swap deal with Iran in June 2010 as part of the Tehran Declaration, noting Tehran's right to enrich uranium for peaceful purposes and stipulating that Tehran would ship 1,200 kilograms of low-enriched uranium to Turkey within 1 month. Washington rejected the deal because it failed to prevent Iran's breakout capacity, arranging for multilateral sanctions against Iran rather than embracing the role of Brazil and Turkey in institutionalizing positive dynamics involving Iran's nuclear program. The U.S. action damaged its ties with Turkey and Brazil, both of which voted against the sanctions on Iran.<sup>18</sup>

Unlike Saudi Arabia, Turkey is politically vibrant, economically dynamic, and militarily more competent. Unlike Iran, Turkey brings a "liberal" Islam that is not revolutionary or conservative and embraces modernism.<sup>19</sup> Like Iran, Turkey has strengthened its role as a Muslim voice and has seen the center of gravity shift from the Arab core to the non-Arab periphery. It did so by opposing the war in Iraq and championing the rights of Palestinians and Muslims throughout the

region during the Arab Spring.<sup>20</sup> Washington should encourage Ankara to assume the mantle of a major regional power capable of balancing Iran and cooperating with it at the same time thus ensuring a more secure and stable regional environment, which welcomes a new role for a stronger Iran and a new role for Turkey as a counterbalancer.<sup>21</sup> In 2013, President Obama spent more time in meetings and phone conversations with then Turkish Prime Minister Erdogan than any other leader attests to the strategic importance of Turkey for the United States in the region. Turkey has assumed a leading support role in Afghanistan and Iraq, mediated between Iran and the West and between Syria and Israel, while serving as a pivotal geo-economic force in the neighborhood. Washington and Ankara have notably kept in check their differences over Iran, Israel, and the Kurdish issues so as to preserve their strategic ties and allow more flexibility in their policies.<sup>22</sup> Preparing Turkey for the counterbalancer role should also help Washington ensure that Ankara remains anchored to Western security and economic institutions despite its eastward push.<sup>23</sup>

## **ENHANCING REGIONAL ECONOMIC DEVELOPMENT**

Iran's size, geopolitical position, and its geo-economic potential make it a crucial link in the U.S. strategy of shrinking the "gap" and promoting the inclusion of fringe economies into the global economic space. But political impediments and security concerns surrounding Iran's nuclear program, among other issues, have prevented Washington, Tehran, and numerous regional players from engaging in this historic venture. The question is not limited to Iran's need for economic modernization and integration

into the global economy after years of relative isolation—itself a major imperative considering the need for stability in the Middle East. The challenge—and Iran is a key to solving it—is the economic development and integration of entire regions between themselves and with the world economy. This task is acute given a series of wars, past and ongoing, which have put the issue of reconstruction of numerous countries and societies to the forefront of the economic development agenda of host governments, major players, and the international community in general. It is also imperative given the growing importance of global trade that has emerged as an “ideational fault-line” among policy elites in the United States in the age of globalization, with “trade dispositions” increasingly shaping U.S. “strategic choices (decisions to engage, contain, and use force) toward geostrategically critical countries.”<sup>24</sup>

Iran straddles the Greater Middle East, bordering parts of the Middle East, the Caspian, and Central and South Asia, making it a pivotal link in inter-regional development and integration. On its eastern flank sit war-torn Afghanistan and terrorism-stricken Pakistan. On its western flank lie disintegrating Iraq and Syria, as well as divided Lebanon, ravaged as they are by sectarianism, terrorism, and civil wars. To its south is Yemen, a tribal state with poor economic performance and prospects of disintegration, struggling (as Lebanon) to preserve tribal, sectarian, and ethnic balances. Iran’s cultural, economic, and political reach in all these countries makes it an important development partner for the United States. Washington should develop measures to plug Iran into emerging transcontinental energy, trade, and transit links in order to generate economic, political, and security dividends for itself and the greater region.

A lot of this work is already being done, with or without the United States. Iran and its partners in the Middle East have expanded their ties significantly over the last decade. But it is Iran's growing relations with Central and South Asian partners that are overlooked. Iran's relations with India are facilitating energy, trade, and transit links between Iran and Central and South Asia, as well as contributing to the emergence of a strategic Iranian-Indian partnership and geopolitical rivalry between China and India in the greater region.<sup>25</sup> The sanctions relief provided as part of the "interim nuclear deal" has led to intensified contacts between China and Iran, as well as India and Iran, showing the prospects of Iran's expanding relations with Central and Southeast Asia. India and Iran seek to complete the Chabahar port, enabling them to link with Central Asia and Afghanistan. Currently, Pakistan impedes India's effort to trade with Afghanistan, despite allowing some Afghan exports to reach India. Having the port, to which India has committed \$U.S.100 million after investing \$U.S.100 million to construct a 220 kilometer-long road linking Afghanistan and Chabahar, would be a game changer for India, Iran, Central Asia, and the United States. (The port at Chabahar competes with the Pakistani port at Gwadar, which China helped finance to facilitate energy and trade flows to and from its western regions.) New Delhi has also recently expressed interest in building a gas pipeline from southern Kazakhstan to India. However, instability in Pakistan and Afghanistan and the standoff between Iran and the West have impeded India's imports of energy resources from Iran and Central Asia. The United States should facilitate such initiatives as they serve the reconstruction and modernization needs of participating parties,



contributing to the U.S. vision of an interconnected and more prosperous world.

The focus on economic infrastructure is important, not least because of the U.S. military's need to rely on it to pursue its own missions, including in Afghanistan and the wider region. The U.S. New Silk Road Strategy (NSRS), launched in 2011, is a welcome development as it seeks to link Central and South Asia with each other and the global economy by turning Afghanistan into a key integration hub.<sup>26</sup> However, the NSRS is a concept more than it is strategy, lacking in resources and commitment by Washington and its partners.<sup>27</sup> The exclusion of Iran from the regional integration further undermines U.S. economic policy in the Greater Middle East. A U.S. economic and military policy needs to consider the growing connectivity within Eurasia, the continent's own integration with the global economy, and the role of Iran that connects volatile sub-regions of the Greater Middle East. In this light, Washington should encourage Pakistan to pursue the long overdue \$U.S.1.5 billion-worth Iran-Pakistan pipeline to supply gas from Iran's South Pars gas field to Pakistan's energy- and conflict-stricken Baluchistan and Sindh provinces, as well as support an extension of this pipeline to India. It should also encourage Pakistan and Iran—via back channels for now—to link their respective ports at Gwadar and Chabahar. Washington should further support the efforts of Iran, India, and Afghanistan to implement a plan to develop a “southern silk road” linking South Asia to Central Asia and the Gulf of Oman. The United States should also facilitate an agreement over water sharing between Kabul and Tehran in both bi- and multilateral frameworks and help with regional refugee and border security issues. These small steps could help build larger trust and enhance U.S.-Iranian ties.<sup>28</sup>

Washington should welcome Iran's efforts to develop infrastructure in Afghanistan, Tajikistan, and Turkmenistan. Like the United States, India, Central Asian states, and Afghanistan, Shiite Iran is not interested in the comeback to power of the Wahhabi ideology-inspired Taliban in Afghanistan, where Tajiks make up one-third of the country's predominantly Sunni Muslim population. Iran works closely with Tajikistan and Afghanistan to prevent this scenario and to break the relative isolation of all three Persian-speaking countries from regional and global economic networks. This trilateral partnership is unlikely to turn into a political or military alliance soon, but it does enable Iran to increase its influence in Central and South Asia, especially as it develops railway and energy links with Turkmenistan, as well.<sup>29</sup> A removal of sanctions on Iran following a nuclear deal and a U.S. Iranian engagement would open more access for Afghanistan, Tajikistan, and Turkmenistan to global markets, contributing to regional and global stability and allowing Washington to utilize its military assets for new missions.

Washington should also support the development of confidence-building mechanisms regarding the use of Caspian energy resources, the challenge which interlinks the divergent and overlapping positions of Russia, Iran, the Central Asian and South Caucasus states, and the issue of European energy security.<sup>30</sup> A U.S.-Iranian strategic engagement would prompt Iran to soften its opposition to Kazakhstan's and Azerbaijan's efforts to build underwater pipelines across the Caspian Sea, facilitating East-West energy and trade linkages. The unresolved status of the Caspian prevents littoral states from exploiting the region's vast energy resources and delivering them to global mar-

kets. The engagement would allow Tehran and Washington to shape geopolitical dynamics in the Caucasus, where Russia is the strongest actor. It would also induce Russia and Caspian and Middle Eastern energy-producing countries to diversify their energy export-dependent economies once Iran's and Caspian exports start inundating regional and global markets. The United States should also encourage expansion of trade ties between Iran, Turkey, and Arab countries to build mutual trust and cooperation while binding the parties economically.

With time, the United States should leverage Iran's own geo-economic capabilities to advance the region's internal and external integration. To do so effectively, it could even now open an interest section in Iran, which the George W. Bush administration considered,<sup>31</sup> dealing with economic and other issues. But it would also need to encourage Iran to solicit assistance from China and India, among others, which are already spearheading major trade, energy, and transit initiatives throughout Eurasia that involve Iran and parts of the Greater Middle East. To start doing it now means being able to shape the contents and direction of cross-regional and global economic development and integration processes for the long haul—an imperative made clear by the rise of emerging powers capable of challenging the U.S.'s preeminent position in select regions.<sup>32</sup>

Iran's geo-economic position allows it to play a prominent role in the neighborhood, but its outdated economy prevents it from utilizing its full potential. Subject to the progress of nuclear talks and removal of sanctions, the modernization of the Iranian economy therefore presents a critical challenge and opportunity for collaboration between Iran and the West. The

United States and its European and South-East Asian partners could well remove unilateral sanctions on Iran now, while keeping UN sanctions in place subject to Iran's continued cooperation in the nuclear talks.<sup>33</sup> Iran represents a massive market for U.S. goods and services, especially in the oil, aviation, and computer industries.<sup>34</sup> The United States and its partners would also do well to promote cultural and economic exchanges, people-to-people contacts, and institutional arrangements binding Iran to certain commitments,<sup>35</sup> while providing it with much-needed FDI and technology transfers to boost its faltering economy. This would help Iran improve the efficiency of its energy sector, diversify its energy-export dependent economy, fight its double-digit youth unemployment, and replenish government coffers. Importantly, it would enable Iran to better connect with the immediate region and the world, allowing it to participate and reap benefits of its own growing external economic engagement and the expanding presence of other actors in the Greater Middle East. However, Iran needs to accelerate rather than delay measures enabling it to join the World Trade Organization, especially since the United States and European capitals dropped their objection in 2005.<sup>36</sup>

## **ADAPTING REGIONAL MILITARY POSTURE**

The U.S. regional military posture should enable Washington to address conventional and unconventional security threats in the Persian Gulf, but Washington should be careful not to overstretch its already strained military capabilities, certainly not at a time when Iran presents an opportunity to ease U.S. regional military burdens as the United States

pivots to the Pacific. As some have argued, a major containment of Iran – centered on policies countering Iran in Iraq, disarmament of Lebanon, and protection of the Arab GCC states and their oil production and exports – would severely drain U.S. financial power, forcing Washington to spend the equivalent resources that Rome, Britain, or Spain once spent to run their now vanished empires.<sup>37</sup>

Washington should not change its military posture fundamentally until after a nuclear deal with Iran is made and both the United States and Iran demonstrate verifiable commitment to cooperation and normalization of ties. However, it can start adapting its military policy now by pursuing smaller changes. As it seeks to do so, Washington should understand a simple reality – it cannot afford another war or significant and long-term deployments in the Gulf in the conditions of austerity and its declining influence amid the rise of new powers. It should therefore adjust its interests and also focus on diplomacy to retain and enhance its position globally.<sup>38</sup> Its military policy toward Iran and the region should hinge on explicit steps by Iran toward changes in its regional policies given the level of uncertainty regarding a nuclear deal, its implementation, and responses to these developments by U.S. partners.<sup>39</sup> It should refrain from military threats and discussion of regime change against Iran.<sup>40</sup> The United States should therefore back its rhetoric (in his 2013 speech, Obama stated that the United States does not seek regime change) with specific actions, in return for certain steps by Iran. This is critical given the impact of the overall narrative of the hostile relationship between Iran and the United States and the need to deconstruct it to advance positive outcomes.<sup>41</sup> As President John Kennedy instructed in 1962:

... the great enemy of truth is very often not the lie—deliberate, contrived, and dishonest—but the myth—persistent, pervasive, and unrealistic. Too often we hold fast to the clichés of our forebears. We subject all facts to a prefabricated set of interpretations. We enjoy the comfort of opinion without the discomfort of thought.<sup>42</sup>

Regarding U.S. military bases, U.S. Arab partners could decide to either upgrade or downgrade their military ties, following a nuclear deal or a U.S.-Iranian détente.<sup>43</sup> In this context, Washington would have to balance its security commitments to Arab partners without provoking Iran, while ensuring that it retains the capability of advancing its regional interests. It should consider the possibility of downgrading select regional bases to a semi-permanent status, while transforming the semi-permanent facilities to “lily-pads” as part of its *Global Defense Posture Review*.<sup>44</sup> It could use the freed-up military resources for new missions in the Greater Middle East, the Pacific, and even Europe to face the increasingly assertive Islamic State (IS), China, and Russia. Doing so would cut costs and signal to Iran that the United States is confident with its resultant posture to meet its security needs and ensure protection of its allies. It would also encourage Tehran to offer its own quid pro quos. In its message, this move would be similar to the removal of two U.S. warships patrolling the Taiwan Straits and easing of barriers for promoting U.S.-Chinese contact (changes in shipping, visa, and export regimes) that the Nixon administration undertook to achieve a détente with China more than 4 decades ago.<sup>45</sup> This, and other measures, then helped Washington to avoid a situation where, as Henry Kissinger later wrote, the exclusion of China from “America’s diplomatic option meant

that America was operating internationally with one hand tied behind its back” — a situation similar to U.S. current Iran policy.<sup>46</sup>

Several factors mitigate concerns about redesigning U.S. regional military posture in case the parties fail to reach a nuclear deal or *détente* and, instead, have to confront each other. Iran does not have a strong conventional capability. Its military strategy relies heavily on asymmetric tactics and means—a deliberate response based on “asymmetrical” and “extraregional” warfare to the superiority of U.S. conventional forces.<sup>47</sup> Iran would rely heavily on its ships, submarines, and short range missiles to retaliate against possible attacks, using its significant number of small boats to “swarm” vessels and laying mines in the Strait of Hormuz.<sup>48</sup> Moreover, Israel and the Arab GCC states have amassed some of the latest weapons systems and are arguably better positioned in some respects to address Iran’s threats to their security. Compared to Iran, as of 2013, the United States spent almost 70 times more, Saudi Arabia spent more than quadruple, and Israel spent nearly double on defense.<sup>49</sup> Washington would find it easier to reduce its permanent presence while keeping a large rotating temporary presence.<sup>50</sup> Washington would also retain a capability to strike Iran. Specifically, it could use its carrier battle group: It operates at least one in the Gulf with dozens of strike aircraft as well as cruise missiles on surface ships and submarines. It could also use short-range strike aircraft and strategic bombers from home, Britain, or Diego Garcia.<sup>51</sup>

As part of downsizing its military presence and refocusing it after a nuclear deal and verifiable steps toward normalization of U.S.-Iranian ties, Washington should encourage the Arab GCC states to run select

military facilities jointly or independently to spread the costs without significantly undermining the military balance. Washington should also improve the theater missile defenses of its allies and offer them more specific security guarantees, not just as an end in itself but as a way to generate leverage vis-à-vis Iran as it continues its talks with Tehran on nuclear and non-nuclear related security and economic issues.<sup>52</sup> If Iran obtains overt or ambiguous nuclear weapons capability, Washington should signal its readiness to launch a preemptive strike against Iranian nuclear facilities if Tehran increased the alert status of its nuclear forces. Israel should consider “going open” about its nuclear weapons capabilities in order to boost its deterrence, including its second strike capability that would be credible in light of its small territory and population.<sup>53</sup> Israel’s current policy is that “Israel will not be the first to introduce nuclear weapons into the Middle East. . . . Nor will it be the second.”<sup>54</sup> Finally, Washington should consider extending a “security umbrella” to GCC states and Israel.<sup>55</sup> But Israel may not welcome the idea if a deal with Iran leads to substantially decreased regional tensions. As a former Israeli official quipped, “You don’t need an umbrella if there is no rain.”<sup>56</sup>

Patrolling the Persian Gulf would remain a priority, even with a reassignment to the Pacific—in the case of a U.S.-Iranian détente—of one of the allegedly two U.S. carrier fleets operating in the Persian Gulf area. Approximately 20 percent of the world’s oil flowed through the Strait of Hormuz each day as of 2012, with the United States and China being interested in ensuring a secure passage and transit of energy resources via the Gulf from North Africa, the Middle East, and Central Asia. While most of this oil comes



from the Arab countries,<sup>57</sup> the expansion of Iranian oil production and exports in the long run, following the removal of all sanctions and a nuclear deal, would change the energy balance (but not the goal of securing energy flows in coordination with various powers, big and small). As progress is made in the improvement of U.S.-Iranian ties, agreeing to deploy only one aircraft carrier at any time in the Gulf or the Arabian Sea in exchange for a gesture from Iran would signal U.S. intent to reduce tensions with Iran,<sup>58</sup> while making it possible to reassign this carrier to the Pacific to face China's growing naval capabilities.

The reduction of U.S. military presence—but not security commitments to its allies—could help mitigate threats and prevent oil supply disruptions given the overall reduction in regional tensions.<sup>59</sup> Iran's geography—almost all of its coast is cut off by mountains—has ensured a limited role of sea power in Iran's military history and thus limited development of its naval capabilities,<sup>60</sup> making it possible to reduce costs associated with U.S. naval capabilities specifically designed to contain Iran. Of course, the imperative to ensure an adequate number of naval, air, and ground capabilities to protect oil supplies transiting via the Gulf should persist. Washington would do well to start pondering a formula allowing Iran to play a constructive role in patrolling the Gulf.<sup>61</sup> In the short term, and given the possibility of a conflict rather than a détente with Iran emerging at any time, Washington should encourage its partners to use more southern routes within the Gulf (as water depth allows), which would not only make the vessels transiting there harder to hit in case of a possible conflict, but also enable the United States to respond more effectively.<sup>62</sup> It should also continue experimenting with surface

task forces development meant to counter Iran's unconventional capabilities centered on its speed boats.<sup>63</sup> These measures would signal to Iran a less menacing yet still capable U.S. military posture in the greater region. Moreover, establishing a hotline on issues of Gulf maritime security involving the United States, Iran, and the GCC states would be a welcome effort.<sup>64</sup> As U.S. Admiral Mike Mullen stated:

We haven't had a connection with Iran since 1979. Even in the darkest days of the Cold War, we had links to the Soviet Union. We are not talking to Iran, so we don't understand each other. If something happens, it is virtually assured that we won't get it right—that there will be miscalculation which would be extremely dangerous in that part of the world.<sup>65</sup>

In this context, the United States should negotiate and implement an "Incidents at Sea" agreement with Iran—as called for by Congressional Resolution 94—following a related study by the Department of Defense (DoD) on the merits of such an agreement. Open source reporting indicates that the concept has not been implemented. But it should be, given a series of incidents involving Iranian vessels and British warships that may have prompted a military confrontation with Iran.<sup>66</sup>

The United States should pursue similar initiatives with countries whose naval capabilities are growing in the Indian and Pacific Oceans. The anticipated military presence of India and China—as some of the world's largest energy importers—in these areas and the Greater Middle East and the Persian Gulf calls for the pursuit of common understandings and institutionalized platforms enabling a trusted participation of these actors in patrolling both the high seas and the Gulf. This is especially important given China's

support to Iran in building anti-access/area denial (A2/AD) capabilities and projected expansion of U.S. military presence in the Pacific, where China's development of advanced A2/AD capabilities strengthens its territorial claims in the South and East China Seas, and where chances of miscalculation and miscommunication pose a growing danger to regional stability.<sup>67</sup> Washington should ensure it keeps its AirSea Battle Concept updated to counter A2/AD capabilities of its potential challengers while seeking to open direct lines of communication, and have plans in place if China decides to lease Iranian naval facilities in the Gulf.<sup>68</sup> Mending ties with Iran should, in part, mitigate the growing regional role of China.

In the area of arms sales, the United States should ensure that the Arab GCC states continue to have access to U.S. weaponry before and after a rapprochement between Tehran and Washington, including combat aircraft, precision-guided munitions, littoral combat ships, radar systems, and communications gear. But it should not upset the conventional military balance and prompt Iran to pursue nuclear weapons. In 2012, Washington launched a "U.S.-GCC Strategic Dialogue" to coordinate missile defense capabilities of the Arab Gulf states, expressing an interest in providing weapons to the GCC states as a group. Recent sales include Patriot advanced capability-3 sales to the United Arab Emirates (UAE) and Kuwait and advanced terminal high altitude area defense systems to the UAE and Qatar. Reports in 2012 indicated that the United States was installing an early-warning missile defense radar in the region.<sup>69</sup> A year earlier, Washington agreed to supply arms worth more than \$U.S.100 billion to Saudi Arabia, Israel, the UAE, and other countries in what is now one of the world's most militarized regions.<sup>70</sup>

In case of a U.S.-Iranian strategic relationship that could conceivably embolden Iran (with or without a nuclear weapon), Washington could expand the sales of defensive capabilities, naval and air drills, and integration of partner systems with U.S. missile defense systems, while being careful not to provoke Iran which is successfully developing its missile capabilities.<sup>71</sup> Tehran's ballistic missiles program is already fairly advanced, wielding short-range and medium-range missiles capable of reaching the entire Middle East and parts of southern Europe. DoD projects that by 2015, Iran, which has the region's largest number of ballistic missiles, could have an intercontinental ballistic missile capable of reaching the U.S. east coast.<sup>72</sup> A 2014 DoD report shows that Iran continues to develop A2/AD capabilities to control the Strait of Hormuz, advanced naval mines, submarines, coastal defense, and anti-ship cruise missile capabilities.<sup>73</sup>

In 2008, Washington agreed with Poland and the Czech Republic to set up a missile defense system to counter Iranian ballistic missiles, but later decided to temporarily switch to ship-based systems, likely as a quid pro quo for Russia's support on Iran.<sup>74</sup> Washington should continue using this card to encourage Moscow's cooperation on Iran, while signaling U.S. willingness not to design systems specifically targeted against Iran in return for Tehran's steps to normalize ties. It should further assist Israel with its shift to a three-tier missile defense system based on the Arrow II, Arrow III, Patriot, and David's Sling systems to offset possible failure with any one or more of the systems.<sup>75</sup> The United States should also continue cooperation with the Arab GCC states involving the U.S.-sponsored Integrated Air Defense Center for Excellence built near the air force headquarters in Abu

Dhabi, UAE. The center is designed to simulate defense against incoming missiles and develop common responses among the Arab GCC states.<sup>76</sup>

But Washington should also leverage its arms sales to Israel and the Arab GCC states to encourage them to follow a U.S. lead on Iran, while being careful not to push them too much or irreversibly into an orbit of rival weapons suppliers, such as Russia and China, among others. After all, Iran is unlikely to dramatically reverse course in its ties with Israel and Saudi Arabia shortly following a nuclear deal, given the continued grip on power by Khamenei and the Guards.<sup>77</sup> The United States should also be careful to leave more legal room in its arms sales contracts to maintain a balance of power in the region that would see an even more powerful Iran, which itself with time may be interested in acquiring U.S. weapons. This would ensure that: a) The Arab states have a stronger sense of security; b) Iran is aware of the U.S. security commitment to the Arab states; and, c) Washington may consider selling its weapons to Iran if Tehran normalizes its relations with Washington and cooperates in addressing regional challenges as a responsible actor.

The United States and its partners should stand ready for a shift in the capabilities, theaters of operations, and the regional presence of terrorists groups and demonstrate readiness to cooperate with Iran in fighting transnational terrorism. The number of attacks by al-Qaeda-affiliated groups skyrocketed between 2007 and 2013, with the IS leading the charge in 2013 (43 percent), followed by al-Shabaab (25 percent), Jabhat al-Nusrah (21 percent), and al-Qaeda in the Arabian Peninsula (10 percent). Meanwhile, the number of jihadists doubled between 2010 and 2013, with the war in Syria representing the leading source of recruits.<sup>78</sup> Few could predict the emergence of the IS as

a potent force in Iraq and Syria, let alone its growing appeal worldwide following expressions of allegiance to it by militant groups based outside the Middle East. Washington, Iran, and their partners should all join forces to prevent radicalization and intercept activities by the IS, al-Qaeda, and a host of other terrorist groups in the Greater Middle East and South-East Asia. Just recently, the IS announced efforts to expand its operational reach into Central-South Asia, while al-Qaeda created its own South Asia wing and planned to hijack a Pakistani warship and attack a U.S. Navy vessel at a base near the port city of Karachi in September 2014. In another case, in November 2014, a threat of attack on India's eastern port and city of Kolkata, prompted India's navy to withdraw two warships from the port.<sup>79</sup>

Washington and Tehran could now focus on counterterrorism efforts in the framework of their relations and cooperation with key players in Iraq, Afghanistan, and especially Pakistan given its own domestic threat of terrorism and likely increased profile in Afghanistan's political and security scene after the drawdown of U.S. forces from Afghanistan by 2016.<sup>80</sup> They should also focus their counterterrorism efforts on Africa, which is rapidly emerging as a major theater of terrorist planning and operations. With time, the collaboration with Iran and the resolution or mitigation of conflicts in the Middle East, could free up military, economic, and diplomatic resources to deal with reconstruction of Iraq and Syria and emerging terrorist threats in Africa. Finally, they should stand ready for the emergence of terrorist groups with hybrid capabilities. The case of the IS shows the emergence of groups capable of using conventional military resources and tactics to pursue political ends of conquering and holding a populace and territory.

Furthermore, the United States and Iran already have an opportunity to collaborate on counternarcotics activities. This concerns the construction, equipping, and manning of border posts along the Iran-Afghan border as well as sharing of intelligence in bi- and multilateral settings. Iran sits on some of the world's most active narco-trafficking routes emanating from Afghanistan, responsible for production of some 90 percent of the world's illicit opiates distributed via Iran, Central and South Asia.<sup>81</sup> The involvement of terrorist groups in drug-trafficking calls for flexible counternarcotics and counterterrorist policies that benefit from interdepartmental and cross-functional exchanges of expertise and joint activities across international borders and with participation of several countries, including Iran. Stemming the production and flow of drugs is also a major inter-regional economic development concern given the impact of drug distribution and use on Iran's and the region's young population, corruption, and lost economic opportunities due to the undermined social and health fabric of local societies. Washington should thus provide logistical and financial support to the UN-backed Triangular Initiative advancing counternarcotics collaboration among Iran, Pakistan, and Afghanistan.<sup>82</sup>

## **ADVANCING REGIONAL INSTITUTIONAL CAPACITY**

Construction of institutional frameworks of cooperation in military, security, and economic development areas is a critical task for countries that are embroiled in regional conflicts and are still modernizing but severely lack cooperation mechanisms trusted by neighbors or their own citizens. This imperative is

closely linked with the idea of interconnectedness and interdependence that proponents of the Peace Theory argue mitigates the risk of war by advancing the costs of disruption of created networks. But it offers something more: Institutional frameworks of cooperation also advance the importance of legal cultures and rules spanning domestic and international realms for enhancing national, regional, and global stability. The Greater Middle East, or “the region of wars” as I call it, faces numerous conflicts but lacks trusted cooperation mechanisms despite connections that countries have built up with each other in select areas. Moreover, existing and potential conflicts may prompt intervention that would require an expanded role of ground forces. The U.S. military’s transformation necessitates the development and introduction of new concepts of engagement and reconstruction on the ground to promote peace after waging war—a type of “system administrators” force concept in order to ensure a smooth transition from war to peace, associated with reconstruction efforts and needs.<sup>83</sup>

In this regard, the U.S.-Iranian competition, as well as cooperation, has major implications for legal frameworks, regimes, and governance mechanisms that together shape the emerging global security and economic order, making it imperative for the United States to develop governance frameworks and avoid situations where its threats to use force are no longer credible and are strategically damaging.<sup>84</sup> The growing profile of Iran and tectonic shifts anticipated following a nuclear deal or a U.S.-Iranian détente further call for the development of such frameworks to mitigate misperception and miscalculation, to improve trust and collaboration, as well as to advance security and stability. The possibility of Iran “going nuclear”



only adds urgency to pursue this undertaking early on. As Israel's former Foreign Minister Shlomo Ben-Ami asserts:

The question today is not when Iran will have nuclear power, but how to integrate it into a policy of regional stability before it obtains such power. Iran is not driven by an obsession to destroy Israel, but by its determination to preserve its regime and establish itself as a strategic regional power, vis-à-vis both Israel and the Sunni Arab States. . . . The answer to the Iranian threat is a policy of détente, which would change the Iranian elite's pattern of conduct.<sup>85</sup>

In the realm of security cooperation and institutionalization, Washington should advance the resolution of regional conflicts by leveraging effectively its ties with select actors and relying on their assistance to create a stake for them in the process and demonstrate the benefits of their constructive involvement. Built-up antagonisms and tensions, including those that are centered and could be addressed with Iran's involvement, make it almost necessary for the United States to start advancing a multilateral framework of regional security cooperation involving Turkey, Iran, Israel, and the Arab states.<sup>86</sup> Washington should also encourage the creation of a Gulf Security Forum that would assure its members of noninterference, build mutual confidence, expand crises management and conflict prevention capacity, and ensure collaboration against common security threats and economic challenges, among other goals.<sup>87</sup> Doing so while increasing and highlighting the importance of regional cooperation platforms such as the Manama Dialogue is particularly important due to current apprehensions about the "interim nuclear deal," the perceived sell-out of

Arab countries in favor of Iran, and the noninclusion of the GCC members in the negotiations led by P5+1. The apprehensions have prompted a Kuwaiti commentator to observe that Arab countries “are not at the table but on it”<sup>88</sup> and have served to undercut a Saudi position on a U.S.-Iranian détente — “engagement yes, marriage no.”<sup>89</sup>

The United States and the Persian Gulf countries should further develop memorandums of understanding with China and India on ways these actors can assist with regional security needs upon request from the regional countries in consultation with the United States. Washington would do well to also promote the concept and practice of a weapons of mass destruction (WMD)-free zone in the Middle East, especially given a strong possibility that Iran could obtain nuclear weapons capability and prompt other regional actors to consider acquiring it. A related task is to start strengthening the Non-Proliferation Treaty regime by promoting additional protocols and separate treaties, while developing nuclear forensics capabilities and a global repository of nuclear material samples that would help track the proliferation of WMD materials and discourage their use and proliferation.<sup>90</sup>

These measures would serve regional stability and help assuage concerns of U.S. allies, especially Israel, associated with perceived negative implications stemming from a nuclear deal or a U.S.-Iranian détente.<sup>91</sup> After all, Israel and the Arab states may choose to reject rather than adapt to a nuclear deal, let alone a détente, and attempt to sabotage both without having to strike Iran. Israel may forcefully respond to Hezbollah and Iranian arms shipments to the group via Syria, while Saudi Arabia may pursue a nuclear weapons capability and more actively support Sunni militant groups

and political factions targeting Iran's interests.<sup>92</sup> A resultant escalation of tensions or war could engulf other parties, especially given U.S. commitments to allies and warnings by Iranian leaders that Iran could retaliate against Qatar and Bahrain—the countries hosting the U.S. Fifth Fleet and Central Command—in a case of war against the Islamic Republic.

A détente of the Arab states with Iran would lessen the role of Tehran as a “rallying cry” for Muslims worldwide.<sup>93</sup> If Israel and the Arab states chose to adapt, they would be tempted to increase their collaboration while pursuing missile defense development and, in Israel's case, measures to enhance the benefits of its nuclear posture for deterrence purposes. The United States should seek to assist and regulate related measures but explicitly warn its partners that it would not support a strike on Iran after a nuclear deal (barring extraordinary circumstances or new revelations about Iran's noncompliance). In parallel, Washington should consider extending its nuclear umbrella to the Arab states in the Gulf, in addition to maintaining 35,000 American forces operating throughout GCC states as part of Defense Cooperation Agreements.<sup>94</sup> It should further seek to engage both Israel and the Arab states in regional platforms involving Iran so as to avoid a possible political split between Israel and the Arab GCC states on the issue of Iran, as Iran's growing regional profile may drive a wedge between Israel and the Arab states.<sup>95</sup> Washington and NATO could also offer NATO membership to Israel, but Europeans and Israelis may consider twice on this, given the freedom of action that Israel cherishes.<sup>96</sup>

In the economic sphere, the United States should encourage actors to develop multilateral trade, energy, and transit initiatives involving Israel, the Arab

states, Turkey, and Iran. Doing so would advance regional interdependence and ensure that the regional countries and external actors can more effectively shape Iran's gradual or accelerated integration into the regional economic fabric. It should advance similar initiatives involving Iran, Afghanistan, Pakistan, Tajikistan, Kyrgyzstan, Kazakhstan, Turkmenistan, Armenia, Georgia, and Azerbaijan, based on regional and cross-regional formats in Central-South Asia, a region that lacks integration with the global economy. Iran's central geo-economic position in the Greater Middle East suggests the need for the United States to engage it in economic initiatives of transregional and transcontinental importance. This need would become more pronounced, and initiatives of the sort would be self-propelling, if sanctions on Iran were removed following conclusion of a nuclear deal. Until then, and as part of a sanctions relief package already provided, the United States and its P5+1 partners should clearly demonstrate to Tehran the benefits of economic engagement by enabling Iran to make substantial trade, investment, and technology transfer deals with P5+1 members (with appropriate clauses allowing the parties to disengage in case of failed negotiations with as few losses as possible).

In the area of political transitions, the United States should be careful not to disrupt regional power balance(s) in the Greater Middle East by spearheading democratization using military or political instruments. But it should be ready to anticipate and channel democratization as a systemic force that can either upset or advance regional power balance(s). The Arab Spring, controversial as it is in its manifestations and implications, has demonstrated the extent of popular frustration with dictatorial rule in several countries of

the region and the degree of force that can be brought to bear by the population—Islamists or secularists—on the powers-that-be. The ongoing modernization and integration of the Greater Middle East into the global economic and security architecture is bound to proceed with tensions between the modernists and traditionalists, the Islamists and the secularists, the democrats and the dictators. The United States should continue with a democratization agenda as part of its political rather than military policy, but be more adept at using this tool to promote its multifaceted interests. Where the tensions have built up substantially, it should engage opposing forces early on to mitigate any fallout from rapid or sudden political transitions, especially in relatively dynamic countries that are also pivotal to the U.S. global strategy: Turkey, Iran, Saudi Arabia, Egypt, and Pakistan.

## ENDNOTES—CHAPTER 4

1. Taken from Flynt Leverett and Hillary Mann Leverett, *Going to Tehran: Why the United States Must Come to terms with the Islamic Republic of Iran*, New York: Metropolitan Books, 2013, p. 60.

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## CHAPTER 5

### CONCLUSION

#### WHAT IS NEXT? – PROSPECTS, VISION, STEPS

You cannot prevent and prepare for war at the same time.

Albert Einstein<sup>1</sup>

Prospects for the U.S.-Iranian ties to improve are clearly there, and both administrations should stick to the plan of agreeing on a final nuclear deal that could facilitate the emergence of a strategic relationship between Iran and the United States, which both parties need more than ever in the current conditions of economic and security challenges and opportunities. This suggests choosing a route and riding it through rather than pursuing two and not arriving at either destination. Because the U.S. administration for now has chosen not to engage in war (as it would also inflict significant damage to itself, its allies, and the region at large) and because the Iranian administration has chosen to engage rather than confront Washington, both parties are in a good position to advance from the state of estrangement to a *détente* in the long term.

President Hassan Rouhani already seeks to make multilateralism and expansion of ties with global economic institutions a foreign policy priority and a way to contribute to “global norm-setting.” This fits with the U.S. vision of its foreign policy under the Obama administration that has sought more multilateralism and engagement, including with Iran if it is ready to negotiate in good faith and for a good purpose. What both sides now need is extreme will and patience—

both demonstrated relatively well recently—as they continue negotiating on nuclear related challenges and, increasingly likely, other issues of mutual concern. The United States and Iran should agree that Tehran’s right to uranium enrichment for civilian purposes should continue as long as it is a transparent and verifiable process. They should also start exploring, sooner rather than later, possible avenues of cooperation on counterterrorism and resolution of regional conflicts.

In the process, neither the United States, nor Iran should shy away from unilateral gestures, which should show good will and genuine efforts to find common ground but which should not compromise the parties’ fundamental positions or interests without a comprehensive nuclear or non-nuclear accord. As part of the current sanctions relief package, Washington could already open doors for economic cooperation between the West and Iran, enabling Iran to modernize its relatively outdated economy. Tehran, in return, could offer a helping hand to Washington in stabilizing and/or reversing gains of militant groups in Syria, Afghanistan, Iraq, Lebanon, Yemen, and Palestinian territories, saving Washington enormous resources. In this context, Iran’s recent cooperation efforts in response to developments in Iraq (the advance of the IS and replacement of Prime Minister Nouri al-Maliki) and Afghanistan (hints of stabilization support) are actions that under a more substantive framework of strategic relations could translate into constructive regional dynamics aimed at containing/reversing hostile gains.

If Tehran and Washington were to pull it off by 2030, their strategic engagement would allow them to address a wide range of shared security and economic

challenges in the wider region, including but not limited to: a relatively insecure transit of energy resources in, through, and out of Iran as well as via the Strait of Hormuz, which prevents the United States from re-deploying some of its regional military assets to other regions, especially in the context of the U.S. “pivot” to the Pacific; prevalent drug-trafficking in the region, including through Iran; the reconstruction needs following conflicts in Syria, Iraq, Libya, Yemen, and Afghanistan, which have in part prompted the deployment of U.S. military assets on Iran’s flanks; radicalism and terrorism targeting Western and Iranian interests; the relative isolation of Iran and other regional states from global and regional markets; and Washington’s continued diminishing global influence.

A constructive and strategic U.S.-Iranian relationship would enable the United States and countries of the Greater Middle East to facilitate a faster, more secure, and smoother regional connectivity to the world economy, contributing to the global and regional economic and security order. Washington could free up some military resources it currently deploys to keep Iran in check. This includes the military forces positioned and rotated into the Greater Middle East, especially in the Persian Gulf area, the deployment and use of which could be reformatted and repurposed to deal with pressing challenges elsewhere, as in Asia and Europe, and/or to address new threats in the same region. Some of these new threats could stem from the geopolitical and geo-economic realignment in the Greater Middle East spurred by a possible U.S.-Iranian strategic relationship. Ultimately, such a relationship would adjust and overhaul U.S. military doctrines, policies, and strategies, not only vis-à-vis Iran but a whole spectrum of countries in this volatile

region, making it imperative to align military resources with the new vision and goals in a coherent fashion. This process would be incremental, given the odds of selective strategic engagement emerging as a more realistic form of a U.S.-Iranian relationship by 2030.

Whatever the type of strategic relationship emerges, the United States cannot afford to lose its stake in shaping transformational developments unfolding in the Greater Middle East and involving Iran. Iran's global integration and regional engagement could advance U.S. global strategy by repositioning and repurposing U.S. regional assets, especially given the possibility of Iran "going nuclear" and the growing profile of China and India, which are expected to enhance their regional economic presence by accompanying it with a possible projection of military capabilities in the coming years. Tehran's agreement to limit its nuclear program in return for sanctions relief has already led to intensified relations between China and Iran, as well as India and Iran, showing the prospects of Iran's expanding relations with Central and South-East Asia. Shaping these transformational processes is a key to U.S. global standing for decades to come.

A U.S.-Iranian constructive strategic engagement would enhance the interconnectedness of Eurasia and advance the U.S. post-World War II global strategy of fostering global connectivity, unimpeded global trade, and global security. Tehran has already been seeking to expand its economic ties with Central Asian countries, which link South-East Asia with Iran and the rest of the Middle East, by participating in trade, transport, and hydro-energy projects. These are the areas of collaboration that Washington, Beijing, New Delhi, and capitals throughout the continent can hardly ignore, given the isolation of Central and South



Asian countries from Eurasian and global markets and security concerns post-2016 when coalition troops plan to withdraw fully from Afghanistan. Specifically, Washington could with time extend its New Silk Road Strategy, which seeks to develop and position Afghanistan as a trade and transit hub of Central and South Asia, to the Greater Middle East by incorporating the active and growing participation of a conveniently located Iran.

Iran's participation in the development of trans-continental trade, energy, and transit infrastructure has direct implications for U.S. military logistics, basing arrangements, deployment of military assets, and strengthening of institutional and partner military ties with select regional countries. This is especially so, given projected geopolitical changes that would spur a need for new missions in Eurasia and given the resurgence of Russia, China, and India as rising powers with global aspirations. Washington should therefore be prepared to face adverse risks stemming from the realignment of geopolitical relations in the Greater Middle East following a nuclear accord and, importantly, after a possible strategic *détente* with Iran by 2030. This primarily concerns the ties between predominantly Sunni and Shiite states, on the one hand, and the ties between the United States and Saudi Arabia, among others, on the other.

As they cultivate their strategic relationship, Tehran and Washington should promote confidence ties in the region. Doing so via institutional frameworks across defense and other areas—a treaty or an organization including regional parties—would minimize the fallout of the geopolitical realignment prompted by a U.S.-Iranian *détente* and would also prevent major external powers from capitalizing on this realign-

ment to advance an agenda contrary, detrimental, or hostile to U.S. global and regional interests. Washington should further design policies to restore a regional balance of power by engaging the rising Turkey. In the process, Washington should clearly demonstrate its commitment to ensuring stability by advancing cooperation platforms to minimize the prospects of yet another conflict—especially one involving Iran—in the Greater Middle East. As Albert Einstein once said, “You cannot prevent and prepare for war at the same time.”

## ENDNOTES—CHAPTER 5

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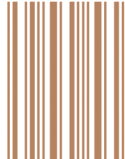


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